OSC

ONTARIO
SECURITIES
COMMISSION

Protecting investors
Fostering confidence

ANNUAL REPORT 2016

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OSC Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

OSC Mandate

To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

OSC Values

Professional

- Protecting the public interest is our purpose and our passion
- We value dialogue with the marketplace
- We are professional, fair-minded and act without bias

People

- To get respect, we give it
- Diversity and inclusion bring out our best
- Teamwork makes us strong

Ethical

- We are trustworthy and act with integrity
- We strive to do the right thing
- We take accountability for what we say and do

Chair's message

The OSC remains focused on our touchstone mandate: to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

This year, I had the honour of being appointed Chair and Chief Executive Officer of the OSC, after serving as its Executive Director and Chief Administrative Officer for five years. I am pleased to be leading this organization at such a crucial time and to report on the progress we have made in the past year.

Globalization, technology and innovation continue to impact financial markets and traditional business models. New technologies such as blockchain, new ways of raising capital such as crowdfunding and new ways of doing business such as "robo-advisors" are having a profound impact on how the capital markets work. At the same time, securities regulators face growing pressure to respond to these innovations, to address complex market issues and to understand systemic risk and threats to cybersecurity, while avoiding over-regulation.

Within this environment, the OSC remains focused on our touchstone mandate: to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. We play a critical role in the health of Ontario's capital markets and economy. I am proud of how we have intensified our efforts to engage with and protect investors, and how we have responded to the challenges of today's rapidly evolving global markets, to keep Ontario's markets fair and efficient.

Protecting investors

In the past year, we made significant strides on investor protection initiatives. In April 2016, as a member of the Canadian Securities Administrators (CSA), we published a consultation paper on enhancing the obligations of advisors, dealers and representatives toward their clients. This paper marks a milestone in the effort to improve the standards expected of advisors in Canada. The OSC has made its position clear: we believe that Ontario's investors deserve nothing less than a best interest standard.

In June 2016, the CSA announced it will begin consulting this fall on discontinuing embedded commissions in mutual funds. After extensive research, including two studies commissioned by the CSA, there is sufficient evidence to consider regulatory action on embedded commissions.

The consultation will focus on the impact prohibiting these commissions could have on the accessibility of advice.

Strong enforcement is always a priority, and we are focused on developing new tools and policies to make better use of our resources and achieve better outcomes. This summer, we will launch our Whistleblower Program, which will provide payments up to $5 million for tips that lead to enforcement penalties of at least $1 million. The program will be the first of its kind for a securities regulator in Canada. Our expectation is that the program will help expose wrongdoing that might otherwise remain undetected, allowing us to protect investors and minimize losses.

In today's global markets, financial crime is not limited by geographic borders. We collaborate on investigations with our international counterparts through the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMoU). Currently, there are 109 signatories to the MMoU. In May 2016, IOSCO approved a draft of an enhanced MMoU that sets out additional powers in deterring cross-border misconduct and fraud in securities markets, including sharing information about telephone records and Internet search data.

Fostering confidence

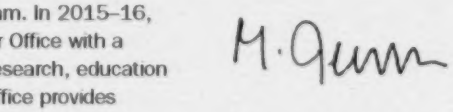
We continue to move forward on efforts to modernize capital markets regulation in Ontario. We are committed to broad consultation and a data-driven, fact-based approach to policy development and regulatory oversight. In addition to the public comment process, we consult with a wide range of stakeholders through roundtables, educational seminars and our OSC in the Community program. In 2015–16, we launched our new Investor Office with a focus on delivering investor research, education and outreach. The Investor Office provides us with valuable insight into investor issues and priorities.

We also meet regularly with our 11 advisory committees to discuss a range of issues and emerging trends. The insights from our committee experts are critically important to the OSC and help to better inform our regulatory response. In May 2016, we announced our new Seniors Expert Advisory Committee and expect to name the inaugural members this summer.

We have conducted important research in a number of areas over the past several years, including consideration of a best interest standard, a mutual fund fee review, a review of the dark pool rules, the introduction of derivatives rules and a review of the order protection rule framework. We will continue to invest resources to ensure we have access to the right data and skillsets to carry out market studies and explore programs that foster innovation while protecting investors.

The OSC continues to support the Government of Ontario in its efforts to establish and develop the Cooperative Capital Markets Regulatory System, which would be transformative to regulation in Canada. But we cannot stand still while building for the future. We remain focused on enhancing the retail investor experience, providing greater access to capital for businesses and strengthening our enforcement program through new tools and partnerships. OSC staff continue to work hard on all of these initiatives. I greatly appreciate their dedication to both advancing regulation in this province and building a capital markets regulator for the future.

I would also like to thank the members of the Commission, Vice-Chairs Monica Kowal and Grant Vingoe, and Executive Director Leslie Byberg for their commitment, passion and hard work on behalf of Ontarians. I look forward to working with investors, market participants and our highly capable staff and Commission so that our collective actions inspire confidence in our capital markets.



Maureen Jensen
Chair and Chief Executive Officer
Ontario Securities Commission

Our thanks to former Chair Howard Wetston

In November 2015, the Honourable Howard I. Wetston, QC, ended his five-year term as Chair and Chief Executive Officer of the OSC. Mr. Wetston led the OSC during a time of unprecedented turbulence in the aftermath of the 2007–08 financial crisis.

Under his leadership, the OSC played a significant role in a number of policy initiatives, including new disclosure rules designed to encourage more women on boards and in executive officer positions, new prospectus exemptions that provide greater access to capital for companies and the creation of an oversight regime for derivatives.

Mr. Wetston strengthened enforcement by introducing new tools such as no-contest settlements and proposing a whistleblower program, and by creating partnerships with law enforcement agencies, such as the Joint Serious Offences Team. Mr. Wetston also played a very significant role in international securities regulation as a Vice Chair of IOSCO.

We extend our thanks to Mr. Wetston for his strong leadership, his wisdom and his exemplary commitment to public service and the people of Ontario.

Lead Director's letter

The OSC's 2015–16 fiscal year was notable for several reasons including a seamless leadership transition as well as a number of significant policy developments. In November 2015, the five-year term of Howard Wetston came to an end, and on February 10, 2016, Maureen Jensen, the Executive Director and Chief Administrative Officer of the OSC since 2011, was appointed the Chair and Chief Executive Officer. OSC staff, and in particular, Vice-Chair Monica Kowal, who assumed the role of Acting Chair at the end of Howard's term, are to be commended for their commitment to ensuring that the OSC continued to fulfil its mandate during this period of transition.

Much was accomplished by the OSC during Howard's tenure as Chair and CEO including an increased focus on investor protection, the delivery of more responsive regulation and more effective compliance, supervision and enforcement, and the promotion of financial stability. The OSC has become a more innovative, accountable and efficient organization under Howard's leadership and he has left an important legacy in the highly accomplished staff of the OSC, as exemplified by the appointment of Maureen as Chair. Although details of the foregoing accomplishments can be found in this annual report under the heading *Performance highlights*, I would like to mention four of them.

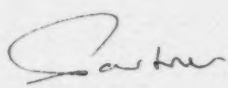
The new "comply-or-explain" disclosure requirements relating to women on boards and in executive officer positions continues to be a major initiative of the OSC. We are committed to ensuring ongoing progress with respect to the greater representation of women on boards and in executive officer positions and will report annually in this regard for a three-year period to determine whether the requirements are proving to be effective.

As part of the OSC's commitment to improving access to capital by businesses at various stages of their development, three new prospectus exemptions were introduced during the year. The family, friends and business associates exemption was introduced in May 2015, and the offering memorandum exemption and crowdfunding exemption for Canadian companies were introduced in January 2016. In addition, the rights offering exemption was modified by removing the requirement for the prior regulatory review of the offering circular.

In October 2015, the OSC established a new Investor Office, which will spearhead the OSC's objective to improve investor engagement, education, outreach and research.

In April 2016, the members of the CSA published a consultation paper with respect to a number of regulatory reforms intended to better align the interests of registrants with the interests of their clients. Of particular importance in this regard is a proposed best interest standard, a policy initiative that is supported by the OSC.

The foregoing initiatives reflect the OSC's commitment to achieve the objectives set out in its Statement of Priorities. This would not have been possible without the hard work and commitment of the highly skilled and professional staff of the OSC to whom the Board extends its sincere thanks. We extend our deep appreciation to Howard, Maureen and James Carnwath, who retired as a Commissioner, for their tireless dedication and commitment to the OSC and to Ontario's capital markets.



Christopher Portner
Lead Director
Ontario Securities Commission

The Commission

The OSC is a self-funded Crown corporation, accountable to the Ontario Minister of Finance. The OSC operates under the direction of the Commission. The Commission has two related but independent roles. It serves as the board of directors of the Crown corporation, and it performs a regulatory function, which includes making rules and policies, and adjudicating administrative proceedings.

The Commission consists of nine to 16 members, called Commissioners. The Chair and Vice-Chairs are full-time members, and the other members are part-time. Each member is appointed for a fixed term by the Ontario Lieutenant Governor in Council, and appointments are made according to the procedures of the Public Appointments Secretariat of the Government of Ontario.

(From left)

Mary G. Condon

Edward P. Kerwin

Monica Kowal
Vice-Chair

Alan Lenczner, QC

Deborah Leckman

Judith N. Robertson

Maureen Jensen
Chair and Chief Executive Officer

William Furlong

AnneMarie Ryan

Christopher Portner
Lead Director

Sarah B. Kavanagh

Timothy Moseley

D. Grant Vingoe
Vice-Chair

Janet Leiper

Garnet W. Fenn

Executive Management Team

(From left)
Leslie Byberg
Executive Director and Chief Administrative Officer
Josée Turcotte
Secretary
James Sinclair
General Counsel and Acting Director, Enforcement
Maureen Jensen
Chair and Chief Executive Officer

(From left)
Debra Foubert
Director, Compliance and Registrant Regulation
John Mountain
Director, Investment Funds and Structured Products
Huston Loke
Director, Corporate Finance
Susan Greenglass
Director, Market Regulation
Naizam Kanji
Director, Office of Mergers and Acquisitions
Kevin Fine
Director, Derivatives

(Standing, from left)
Tyler Fleming
Director, Investor Office
Carolyn Shaw-Rimmington
Director, Communications and Public Affairs
Lisa Wilkins
Chief Human Resources Officer

(Seated, from left)
Elle Koor
Acting Director, Strategy and Operations
Krista Martin Gorelle
Acting General Counsel
Jean-Paul Bureaud
Director, Office of Domestic and International Affairs
H.R. Goss
Director, Corporate Services

(Not pictured)
Cameron McInnis
Chief Accountant

Executive Director's letter

It is in our day-to-day operations where I see staff applying their dedication, thoughtfulness and innovative thinking to uphold investor protection and foster confidence in the capital markets.

In my role as Executive Director and Chief Administrative Officer, I am pleased to discuss this year's achievements and convey my appreciation for our staff's work. I am energized by the exciting developments taking place, most of which go on behind the scenes, but nevertheless count every day toward the delivery of our important regulatory mandate.

Investing in what matters every day

While our policy initiatives are highly visible and key to accelerating our progress, our operational activities are critical to our success as a regulator. It is in our day-to-day operations where I see staff applying their dedication, thoughtfulness and innovative thinking to uphold investor protection and foster confidence in the capital markets.

This year, staff made great strides in compliance reviews and continuous disclosure reviews. Specifically, our risk-based approach ensures that we focus on the right areas as we oversee entities and market structures that grow increasingly complex.

With the implementation of expanded capital-raising regulations, staff are monitoring compliance so that our policies deliver the investor protection we expect, while allowing capital raising to flourish.

We continue to make strides in enforcement due to our staff's use of innovative tools, including no-contest settlements, specialized investigative teams and unique partnerships with police agencies.

I also want to acknowledge the efforts of staff to ensure we run a responsible, fiscally well-managed corporation that is highly accountable and transparent to the people of Ontario.

Investing in our people and the future

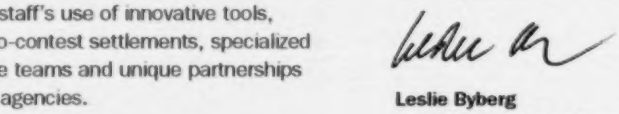
Because we deeply value our staff's professional contributions, we strive to support them in a modern environment, with tools to do their best work. As the marketplace evolves, we need to ensure that we have the right expertise and skillsets to succeed in fulfilling our mandate.

Investing in our people is also vitally important as we become a more data-driven organization. We are focused on enhancing our data gathering and analysis so we can gain a deeper understanding of the current market environment and tailor our regulatory responses accordingly. This is critical because we need to be fully engaged in overseeing markets and products that are complex and rapidly changing.

We have invested resources to advance the CSA's regeneration of its back-office infrastructure. This project launched in spring 2016 and will replace and integrate several stand-alone CSA national systems, such as the System for Electronic Document Analysis and Retrieval (SEDAR), System for Electronic Disclosure by Insiders (SEDI) and National Registration Database (NRD), into a single secure filing system. The new system will deliver secure transactions and ease of use as well as respond to future regulatory changes and requirements.

This fiscal year, we continued to support the Government of Ontario's efforts to build the Cooperative Capital Markets Regulatory System. I am constantly impressed by our staff's dedication and ability to galvanize around an important initiative of this magnitude.

I am very proud to be a member of a team that believes wholly in our mandate and serving the public interest every day. I would like to thank our staff and our advisory committees for their contributions and Maureen Jensen for her strong leadership and unwavering support of our staff who work so hard to deliver the OSC's important mandate. We look forward to continued progress in the year ahead and achieving results for Ontario's investors and capital markets.



Leslie Byberg
Executive Director and
Chief Administrative Officer
Ontario Securities Commission

Performance highlights

This section highlights the OSC's key accomplishments toward its goals for the 2015–16 fiscal year. Each year, the OSC publishes a Statement of Priorities, which sets out the OSC's strategic goals, priorities and specific initiatives for the year. You can find the Statement of Priorities on the OSC's website at www.osc.gov.on.ca.

OUR 2015–16 GOALS

1. Deliver strong investor protection

The OSC will champion investor protection, especially for retail investors.

2. Deliver responsive regulation

The OSC will identify important issues and deal with them in a timely way.

3. Deliver effective compliance, supervision and enforcement

The OSC will deliver effective compliance oversight and pursue fair, vigorous and timely enforcement.

4. Promote financial stability through effective oversight

The OSC will continue to identify, address and mitigate systemic risk and promote stability by implementing programs to effectively oversee and supervise our capital markets, including the OTC derivatives market, the fixed income market and key infrastructure entities such as clearing agencies.

5. Be an innovative, accountable and efficient organization

The OSC will be an innovative and efficient organization through excellence in the execution of its operations, and will demonstrate accountability in fulfilling its mandate and achieving its goals.

GOAL 1

Deliver strong investor protection

Priority	What we did	Why it's important
Putting the interests of investors first	**Best interest standard** We analyzed various approaches for creating a best interest standard with a view to developing one or more proposals for public consultation. In April 2016, CSA members published a consultation paper on proposed regulatory action, including a best interest standard. The comment period for the paper closes on August 26, 2016. **Targeted registration amendments** The April 2016 consultation paper also includes proposals for targeted amendments relating to registration requirements, including know-your-client and know-your-product requirements, suitability, conflicts of interest, the use of business titles by advisors and proficiency. **Analysis of advisor compensation practices** CSA members are finalizing their analysis of advisor compensation practices with a view to publishing their review findings, including expectations for compliance and best practices, by the end of this fiscal year.	These three initiatives are part of a broad review of the client-advisor relationship aimed to better align the interests of registrants with the interests of their clients, better define the client-advisor relationship for clients and enhance specific obligations that registrants owe to their clients. While we will not make a final decision on regulatory action without public consultation, the OSC supports the development of a best interest standard. We are of the view that the introduction of a best interest standard, in combination with targeted amendments, would strengthen the client-advisor relationship. The comments we receive on the consultation paper will help inform our recommendations.
Reviewing compensation arrangements in mutual funds	**Two research reports on mutual fund fees** • In June 2015, CSA members published *Mutual Fund Fee Research*, an independent literature review of existing research that evaluated whether the type of compensation alters the nature of advice and affects investment outcomes over the long term. Overall, the research found that all forms of compensation affect advice and investor outcomes, and provided conclusive evidence that commission-based compensation creates problems that must be addressed. Detrimental effects from commission-based compensation include fund underperformance, lower investment returns due to higher costs and advisor bias toward riskier or higher commission-generating funds in sales recommendations. The research also concluded that fee-based compensation is likely a better alternative, but there is not enough evidence to state with certainty that it will lead to better long-term outcomes for investors. • In October 2015, CSA members published *A Dissection of Mutual Fund Fees, Flows and Performance*, independent research commissioned to assess whether sales and trailing commissions influence mutual fund sales and investor outcomes. The research was based on an analysis of detailed fund data from 43 manufacturers of publicly offered mutual funds, representing close to 67% of mutual fund assets in Canada. In general, the research suggests that compensation can materially affect mutual fund sales to the detriment of the investor. For example, the research found that mutual funds with trailing commissions have higher net inflows, regardless of past performance. It also found that an increase in the trailing commission corresponds to a decrease in performance.	These two research projects are part of an ongoing examination by CSA members of the impact of mutual fund fee structures. Investors generally do not know or understand the true costs of their investments. Our goal is to better align the interests of advisors with those of investors. CSA members intend to communicate a policy direction on mutual fund fees in June 2016.

Priority	What we did	Why it's important
Empowering investors through better disclosure	**Pre-sale delivery of Fund Facts** Effective May 30, 2016, all dealers that sell mutual funds are required to deliver Fund Facts to investors before they make their decision to buy a mutual fund. Fund Facts is a two-page summary disclosure document that highlights key information about a mutual fund, including risks, past performance and costs.	Fund Facts was previously required to be delivered within two days of the purchase date. As a result of the change to pre-sale delivery, investors will receive key information about a mutual fund before they make their decision to purchase.
	New summary document for exchange-traded funds (ETFs) In June 2015, CSA members published a proposal for ETF Facts, a summary disclosure document for exchange-traded funds. CSA members are aiming to finalize rule amendments by the end of this fiscal year.	ETFs are a fast growing segment of the retail investment fund market, and investors in ETFs should receive a similar level of disclosure as mutual fund investors. Like Fund Facts, ETF Facts highlights key information to help investors compare funds and make an informed investment decision.
	Standard methodology for rating mutual fund risk In December 2015, CSA members proposed a new standardized risk classification methodology for use in both Fund Facts and the proposed ETF Facts. CSA members are aiming to finalize rule amendments by the end of this fiscal year.	Currently, the risk rating disclosed on Fund Facts is based on a risk classification methodology selected at the fund manager's discretion. Standardizing the methodology aims to improve transparency and consistency, and make it easier for investors to compare the investment risk of different funds.
Improve education, outreach and advocacy for investors	**New Investor Office** In October 2015, we introduced our new Investor Office, following the merger of our former Office of the Investor and the Investor Education Fund (IEF)[1] in April 2015. The Investor Office leads the OSC's efforts in investor engagement, education, outreach and research. The Investor Office also brings the investor perspective to the OSC's policy and operational activities. This includes playing a key role in the oversight of the Ombudsman for Banking Services and Investments, supporting the work of the OSC's Investor Advisory Panel, which advocates in support of retail investors, and finding new ways to provide the input of investors into the OSC's policy development.	The Investor Office provides an important voice and perspective to the OSC and engages with investors and other stakeholders in innovative ways. Among its initiatives, the Investor Office is committed to bridging the knowledge gap between investors and industry professionals, for example, by helping investors understand the questions they need to ask of their advisors. In addition, the Investor Office has established new partnerships with close to 30 organizations in order to increase its reach.

Cost disclosure and performance reporting

Effective July 15, 2015, investment firms are required to provide clients with more information on their account statements, including the total costs of buying an investment and the market value of these investments. The new requirements are the second phase of a three-year phased approach to improving the clarity and quality of information investors receive about the costs and performance of their investments.

The first stage, in 2014, added requirements to provide investors with pre-trade disclosure of charges and commissions, and to include the annual yield and any commissions for fixed income transactions on trade confirmations. The final stage, in July 2016, will add annual reporting requirements for dealer compensation and personalized investment account performance.

[1] The IEF was a non-profit corporation established by the OSC in 2001 to provide independent financial information, programs and tools to consumers.

Priority	What we did	Why it's important
	New tools and resources During the year, the Investor Office released several new tools and resources: • Fact Cards, free digital cards containing unbiased information on investment topics that can be embedded in third-party websites and shared through social media • Re: *Investing*, a website that provides clear, unbiased answers to questions on investing • CrowdfundOntario.ca, an interactive guide to equity crowdfunding • a refreshed and expanded *Investor News*, our online newsletter • *Your Investment Policy Statement Blueprint*, an online tool to help investors and their financial advisors develop a policy for making investment decisions • a new TFSA calculator to help investors find out how much money they could be saving by using a TFSA for their investments	These tools and resources are aimed at modernizing how the OSC delivers investor education. Our goal is to respond to the changing needs of investors and evolving technology to provide the information investors are looking for in the ways they want to receive it.
	Research on the financial needs of seniors In June 2015, the OSC published *Financial Life Stages of Older Canadians*, a research study on financial issues faced by older Canadians in, and approaching, retirement. Two key findings were that unexpected financial crises that disrupt savings and planned retirement spending are far more common than anticipated, especially in the pre-retirement years, and that the financial ramifications of health issues and health-care costs become increasingly important as Canadians age.	We are focused on reaching, educating and protecting more vulnerable investors, in particular, seniors. We conducted this research to better understand the financial needs and unique challenges facing older Canadians. The findings will help inform our work in developing the OSC's seniors strategy, which we expect to finalize in the coming months.

OSC in the Community

In 2015–16, we delivered an increased number of investor seminars with more than 650 attendees in communities across Ontario. Our OSC in the Community program is aimed primarily at seniors and vulnerable investors and focuses on fraud prevention, working with an advisor and making better informed investment decisions.

We also introduced "teletownhalls" as a new way to connect with investors. Similar in format to a call-in radio show, OSC staff provide information, answer questions and conduct live polls during a one-hour session. Approximately 1,000 people participated for a meaningful amount of time in the two teletownhalls we have held so far.

GOAL 2

Deliver responsive regulation

Priority	What we did	Why it's important
Women on boards and in executive and senior management positions	**First compliance review of new disclosure requirements** In September 2015, CSA members published their first review of compliance with new disclosure requirements for women on boards and in executive officer positions. Of the 722 TSX-listed companies reviewed, 49% had at least one woman on their board, 60% had at least one woman in an executive officer position and 15% had added one or more women to their board during the year. However, just 14% of companies had adopted a formal written policy for improving the representation of women. We will continue to assess the effectiveness of the new disclosure requirements over three years and track and report on progress year over year, as well as compliance with our requirements.	Corporate decision-making is enhanced when boards have greater diversity – it contributes to more constructive dialogue and more competitive companies. The new "comply-or-explain" disclosure requirements regarding gender diversity came into effect in December 2014 and apply to TSX-listed companies. This review provides a baseline for measuring progress toward gender diversity in Canada's largest public companies and improving transparency on the representation of women on boards and in executive officer positions. This transparency is intended to assist investors when making investment and voting decisions.
	Underlying data published In November 2015, CSA members published the underlying data collected in the compliance review. The data was compiled from public information filed on the System for Electronic Data Analysis and Retrieval (SEDAR) and is available on the OSC's website.	By making the data available publicly, we want to encourage further dialogue on the representation of women on boards and in executive officer positions.
Improve access to capital	**Four prospectus exemptions** • In May 2015, the family, friends and business associates prospectus exemption was introduced in Ontario. This exemption allows start-up and early-stage companies to raise capital from investors within the personal networks of a company's principals. Investors must complete a risk acknowledgement form and confirm how they qualify to make the investment. • In December 2015, the rights offering prospectus exemption was streamlined by removing the requirement for a regulatory review of a rights offering circular before public companies can distribute securities under this exemption. A number of investor protection measures were added, including a right of action if there is a misrepresentation in the rights offering circular. In addition, the form of rights offering circular has been updated so that it is easier for investors to read and public companies to prepare. • In January 2016, a new offering memorandum prospectus exemption came into effect in Ontario. This exemption allows companies to raise capital from a wider range of investors using an "offering memorandum" disclosure document at the point of sale. Certain individual investors are subject to investment limits, and investors must complete a risk acknowledgement form. In addition, each year, companies must provide investors with audited financial statements and a notice describing how the proceeds raised under the exemption were used.	The exemptions are intended to facilitate capital raising by businesses at various stages of development, particularly start-ups and small and medium-sized enterprises, while providing appropriate protections for investors. You can find a summary of the key capital raising prospectus exemptions available in Ontario on the OSC's website.

You can find the OSC's disclosure relating to the representation of women on its board and in executive officer positions in the appendix to this annual report.

Priority	What we did	Why it's important
	• In January 2016, a crowdfunding prospectus exemption for Canadian companies and a registration framework for online funding portals came into effect in Ontario. This exemption is intended to allow start-up companies and small and medium enterprises to reach a large number of potential investors through the Internet. The registered funding portals must fulfil certain gatekeeper functions, such as reviewing the company's disclosure and obtaining background checks on the company, its directors, executive officers and promoters. Investment limits generally apply and investors must complete a risk acknowledgement form. Investors can also cancel their purchase within 48 hours of agreeing to make an investment. In addition, each year, companies must provide investors with financial statements and a notice describing how the proceeds raised under the exemption were used.	
	Harmonized reports of exempt market distributions In April 2016, CSA members published final amendments that introduce a new harmonized report of exempt market distribution. The new report will replace the two forms of report that are currently in use in Canada. The new report introduces additional information requirements intended to facilitate more effective regulatory oversight of the exempt market. It streamlines certain information requirements and eliminates duplication by allowing issuers and registrants to omit information that can be gathered through other sources, such as SEDAR and the National Registration Database (NRD). Subject to certain transition provisions, issuers will be required to use the report for all distributions on or after June 30, 2016. These amendments follow an August 2015 proposal published by CSA members.	The single, harmonized report will reduce the compliance burden for issuers and underwriters completing these reports. The new report also sets out additional information that is necessary to facilitate more effective regulatory oversight of the exempt market and improve analysis for policy development purposes, for both issuers and the registrants involved.
Market structure evolution	**Order Protection Rule** In April 2016, CSA members published final amendments to the Order Protection Rule and its Companion Policy. The amendments include: • order protection on markets at or above a 2.5% market share threshold, • guidance related to intentional order processing delays or "speed bumps," • a methodology for setting market data fees, and • a cap on active trading fees charged by marketplaces. Subject to Ministerial approval, the amendments will come into force on July 6, 2016, except for the market share threshold, which will come into force on October 1, 2016.	The Order Protection Rule requires marketplaces to establish, maintain and ensure compliance with written policies and procedures reasonably designed to prevent inferior-priced orders from "trading through," or executing before, immediately accessible, visible, better-priced limit orders. The amendments are intended to address inefficiencies and costs in equity trading and respond to market developments.

Improving shareholder democracy

In March 2016, CSA members published the final report on their review of proxy voting infrastructure. The report seeks comment on proposed protocols for tabulating proxy votes for shares held through intermediaries, including dealers, brokers and custodians. The report is part of a larger initiative to improve shareholder democracy, following an extensive review of the proxy voting infrastructure by CSA members in 2013.

Harmonizing the take-over bid regime

In May 2016, a new take-over bid regime came into effect, harmonizing requirements across Canada. Under the new regime, bids are generally open for a minimum deposit period of 105 days, the minimum tender is more than 50% of the outstanding securities that are subject to the bid and a 10-day extension applies if the minimum tender requirement is met. The new regime is designed to enhance the ability of the shareholders to make voluntary, informed and coordinated tender decisions, while providing boards with additional time and discretion when responding to a take-over bid.

GOAL 3

Deliver effective compliance, supervision and enforcement

Priority	What we did	Why it's important
Enhance compliance through effective inspections, supervision and oversight	**Exempt market supervision programs** Recently adopted prospectus exemptions provide greater access to capital for businesses and expanded investment opportunities for investors. To ensure the new prospectus exemptions are achieving the right balance between investor protection and capital formation, we have enhanced our compliance and oversight procedures. These include monitoring reports of exempt distribution, assessing compliance with the terms of the exemptions, conducting compliance reviews of offering documents, distributions and issuers, and conducting examinations of dealers selling securities under the new exemptions.	This will allow the OSC to identify conduct that is contrary to the principles underlying the exemptions or that may be contrary to the public interest. Identification of potential concerns could lead to compliance-based or other regulatory action. Our processes allow us to gather data to assess the impact of the new exemptions and support future policy work.
	Systems for oversight of derivatives markets Several internal and external projects have been completed that allow for the assessment and improvement of data quality, the analysis of certain data sets and the presentation of key metrics. In March 2016, we engaged external consultants to assist the OSC in the development of a framework for managing over-the-counter (OTC) derivatives data.	OTC derivatives data will allow us to effectively utilize this information for market monitoring, systemic risk analysis and policy decision-making.
	New cooperative oversight model for clearing agencies and trade repositories In December 2015, we signed a memorandum of understanding (MOU) with seven other provincial securities regulators to coordinate oversight of clearing agencies, trade repositories and matching service utilities. This includes processing applications for recognition, exemption or designation under securities law. Under the MOU, a single regulator (or a coordinated group of regulators) will act as lead to conduct direct oversight of each regulated entity. The MOU meets key regulatory responsibilities relating to cooperation under the April 2012 report Principles for Financial Market Infrastructures published by the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the Technical Committee of the International Organization of Securities Commissions (IOSCO).	The MOU reflects the cooperation and coordination of efforts to oversee clearing agencies, trade repositories and matching service utilities. This is necessary to promote their safety and efficiency, and to contribute to the management of systemic risk, while improving efficiency and reducing duplication.
	New cooperative oversight model for central counterparties doing business in Europe In January 2016, we entered into an MOU with the Autorité des marchés financiers, the Manitoba Securities Commission and the European Securities and Markets Authority (ESMA) to establish cooperation, consultation and information sharing arrangements relating to central counterparties in Ontario, Québec and Manitoba that provide clearing services in the European Union.	For central counterparties outside the European Union, ESMA requires an MOU with local regulators before they can provide their services to clearing members or trading venues established in Europe. This improves business access to the European Union.

Compliance review of insider reporting

In February 2016, we published the results of our compliance review of insider reporting. The review covered approximately 1,500 reporting insiders at 100 reporting issuers whose principal regulator is the OSC. We found material insider reporting deficiencies in approximately 70% of the reporting issuers. Deficiencies occurred across issuers of all sizes. In general, we found that reporting by insiders needs to be more accurate, more complete and timely. As a result of the review, approximately 200 reporting insiders filed new insider reports to address material deficiencies and 150 reporting insiders filed correctional reports to address non-material deficiencies.

Priority	What we did	Why it's important
	First compliance review of derivatives reporting In January 2016, we began our first review of compliance with the reporting obligation under the Trade Repositories and Derivatives Data Reporting Rule, which came into effect in October 2014. The first review, done in conjunction with the Office of the Superintendent of Financial Institutions (OSFI), focuses on a large Canadian bank. Reviews of the trade reporting activities of the remaining large Canadian dealers will occur during 2016–17.	The review will provide a baseline to assess compliance with the reporting obligation, identify obstacles to compliance and help derivatives dealers better understand their new reporting obligations and our expectations, all of which are key to monitoring systemic risk.
Earlier identification of fraud and other violations	**Whistleblower Program** We intend to launch our Whistleblower Program and Office of the Whistleblower in summer 2016. Our Whistleblower Program is the first of its kind for securities regulators in Canada. Under the program, we may provide a financial incentive of up to $5 million for high quality, original information that leads to an enforcement outcome with sanctions of $1 million or more.	Tips from whistleblowers can help us detect certain types of misconduct – like insider trading, market manipulation and accounting and disclosure violations. Through early enforcement action, we can minimize losses and protect investors. The program also encourages companies to have robust and responsive internal reporting processes in place to identify and stop misconduct.
Enhance enforcement and adjudicative processes	**Enhanced access to hearings** We offer live video streaming to provide more public access to hearings when needed, for example, in high profile cases where a large number of stakeholders, media and the public want to attend the hearing. To accommodate the international nature of many of our cases, our hearing rooms have also been equipped with video-conferencing technology. This facilitates testimony by witnesses from around the world. The technology allows offsite witnesses to view electronic documents.	This will enhance transparency and public access to live hearings. Technology and modernized hearing rooms also allow the Tribunal to accommodate witnesses in other jurisdictions.
Timely, fair and efficient adjudication	**Electronic hearings** In April 2015, we began a pilot phase for e-hearings using a new electronic case management system and have held three e-hearings so far.	E-hearings technology assists the parties, the Registrar of the Commission and Commissioners with managing documents related to hearings.
	Case management of enforcement proceedings The Commission implemented its *Practice Guideline – Case Management Timeline for Enforcement Proceedings* in 2015–16.	The *Practice Guideline* helps improve the case management procedure at the Commission through the early identification and resolution of preliminary motions.
	Timely release of decisions We have implemented a guideline to release decisions within six months of a hearing, where possible. Ninety-three per cent of decisions released this year were released within six months of the hearing.	This will improve the timeliness of our adjudicative processes.

Oversight of regulated entities

In 2014, we implemented a risk-based oversight program for "regulated entities", including self-regulatory organizations (SROs), exchanges and clearing agencies. Our objective is to conduct more frequent, focused reviews on key risk areas rather than larger reviews less frequently. Each year, we conduct a risk assessment of each entity and develop an oversight plan that targets the key risk areas we have identified. We address these risk areas through a combination of onsite reviews, meetings with management and document reviews. This approach has resulted in more active and continuous oversight, and more efficient use of our resources.

No-contest settlements

We are the only Canadian securities regulator to have no-contest settlements. Since introducing this tool in 2014, we have had the opportunity, where appropriate, to facilitate the return of funds to investors. We will continue to use this tool where respondents qualify under applicable criteria.

GOAL 4

Promote financial stability through effective oversight

Priority	What we did	Why it's important
Oversight of systemic risk	**Developing an oversight regime for derivatives** We continue to work with domestic and international regulators to implement an oversight regime for derivatives: • **Central clearing** – In February 2016, CSA members published a revised proposal to introduce mandatory central counterparty clearing requirements for certain OTC derivatives transactions. • **Segregation and portability** – In January 2016, CSA members proposed new requirements for the treatment of customer collateral, record-keeping and disclosure for clearing intermediaries and regulated clearing agencies. Currently, these entities are concentrated outside Canada. The proposal would permit substituted compliance in specified circumstances where a foreign entity is involved in a transaction and appropriate foreign laws apply. • **Trade repositories** – In November 2015, the OSC proposed amendments to its Trade Repositories and Derivatives Data Reporting Rule that would streamline reporting obligations for certain derivatives transactions. The amendments would also modify existing legal entity identifier requirements to harmonize data and improve transparency. We worked with the CSA's OTC Derivatives Committee on the amendments. Similar amendments were published by securities regulators in Quebec and Manitoba.	Since the financial crisis, domestic and global financial regulators have been working to implement the G20's OTC derivatives reform agenda. The reforms aim to create an oversight regime for OTC derivatives that would improve transparency and the safety and efficiency of the OTC derivatives market, mitigate counterparty risk and address systemic risk.
	International standards for clearing agencies In December 2015, CSA members introduced requirements that adopt international standards for clearing agencies that operate as a central counterparty, central securities depository or securities settlement system. The requirements also formalize the framework for the recognition or exemption of clearing agencies seeking to carry on business in a Canadian jurisdiction. The requirements came into effect on February 17, 2016, subject to certain transitional provisions.	The requirements align our framework with international standards for clearing agencies.
	Registration of derivatives market participants CSA members are drafting a proposed derivatives registration rule that will set out the principal registration requirements and exemptions for derivatives market participants, including derivatives dealers, derivatives advisors and large derivatives market participants. The rule is expected to be published later this year. This work follows the CSA's consultation paper on derivatives registration, which was published in April 2013.	Imposing registration requirements on derivatives market participants is intended to protect the soundness of our financial markets by ensuring that key market participants have the obligation to manage their risks.
Regulation of the fixed income market	**Plan for enhancing fixed income regulation** In April 2016, CSA members published a notice, following the plan published in September 2015, that sets out a number of initiatives to improve market integrity, evaluate access to the fixed income market and facilitate more informed decision-making among market participants. - CSA members are working with the Investment Industry Regulatory Organization of Canada (IIROC) to increase post-trade transparency of corporate debt securities and evaluate the allocation of new issues in the fixed income market. In April 2015, the OSC published *The Canadian Fixed Income Market 2014*, a report on the state of Canada's fixed income market. The report was the first step in our review of the fixed income market.	We are modernizing the regulatory framework for the fixed income market to improve transparency and evaluate whether access to the market is fair and equitable to all investors.

The OSC is a member of the international OTC Derivatives Regulators Group (ODRG), whose members have made consistent progress since 2011 in implementing the G20's OTC derivatives reform agenda through legislative and regulatory actions.

GOAL 5

Be an innovative, accountable and efficient organization

Priority	What we did	Why it's important
Effectively influence the international regulatory agenda	**Participation in IOSCO** The OSC is a voting member of the IOSCO Board of Directors and is actively involved in a number of international task forces and policy committees that are creating new enhanced international standards. The OSC chaired an international group that delivered a report to the G20 Leaders about ways to improve cross-border clearing activity of OTC derivatives. The OSC contributed to, and supported, several international reports that were published in 2015–16, including *Credible Deterrence*, which identifies key enforcement approaches that may deter misconduct in international securities and investment markets. The OSC also supported work to better inform retail investors on investment risks and engage them in the development of regulatory policy. In addition, the OSC is working through CPMI-IOSCO to enhance the resilience, recovery and resolvability of central counterparties. This work complements the work being done by the Financial Stability Board (FSB) and G20 on the resolution of central counterparties and establishing enhanced systemic cross-border resolution planning procedures.	IOSCO is recognized by the FSB and G20 as the global standard setter for securities regulation. Our participation in IOSCO helps establish new international standards that are aligned with, and responsive to, issues affecting the Canadian capital markets. By supporting improved international standards, we also help increase protection for Canadian investors when they invest outside Canada.
Proactive use of data and research	**Mystery shop of advisors** In September 2015, the OSC, IIROC and the Mutual Fund Dealers Association of Canada (MFDA) released a joint research report, *Mystery Shopping for Investment Advice*. This research was the first of its kind conducted by Canadian securities regulators and focused on the experiences of retail investors in their initial meeting with an advisor. The research concluded that it is difficult for investors to comparison shop for financial advice. When they first meet with an advisor, investors will more likely hear about products and services offered and discuss their investment goals and objectives. It is less likely they will hear about fees and costs, advisor compensation or the relationship between risk and return. From the perspective of an investor, the number and variety of business titles encountered when shopping for advice can also make the process of choosing an advisor a complex one.	The mystery shop research provided insights into the advice process through the eyes of potential investors. It allowed us to see how investors participate in the advice process, how they understand it, and what their expectations and experiences are when they get advice. The report sets out our plan to improve the investor experience through guidance to advisors and dealers, compliance programs and investor education. The findings have been considered related to a potential best interest standard and targeted amendments, as well as our review of mutual fund fees.

Evidence-based regulation

The OSC is committed to using research and evidence-based decision-making in policy development. Our team of economists and research analysts support work in key areas of focus, such as a best interest standard, derivatives, the exempt market, fixed income market and mutual fund fees. The team also conducts and provides input into regulatory and economic impact analyses for significant policy projects.

Management's discussion and analysis

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) contains management's interpretation of the OSC's financial performance for the 2016 fiscal year ended March 31, 2016. While the financial statements reflect actual financial results, the MD&A explains these results from management's perspective and sets out the OSC's plans and budget for the year ahead.

This MD&A should be read in conjunction with the OSC's 2016 Financial Statements and related notes. Together, the MD&A and financial statements provide key information about the OSC's performance and ability to meet its objectives.

Important information about this MD&A

- The information in this MD&A is prepared as of May 31, 2016.
- The terms "we", "us", "our" and "OSC" refer to the Ontario Securities Commission.
- This MD&A contains forward-looking information and statements regarding strategies, objectives, expected operations and financial results, which are based on the OSC's current views of future events and financial performance. Key risks and uncertainties are discussed in the Risks and risk management section of this MD&A. However, some risks and uncertainties are beyond the control of the OSC and are difficult to predict. Actual future outcomes may substantially differ from the expectations stated or implied in this MD&A.
- The words "believe", "plan", "intend", "estimate", "expect", "anticipate" and similar expressions, as well as future conditional verbs, such as "will", "should", "would" and "could" often identify forward-looking statements.
- The words "plan" and "budget" are synonymous in this MD&A and are used interchangeably. Both describe the planned budget revenue and expenses for the related fiscal year.
- Unless otherwise specified, references to a year refer to the OSC's fiscal year ended March 31.
- Notes to the financial statements refer to the OSC's 2016 Notes to the Financial Statements.
- All financial information related to 2015 and 2016 has been prepared in accordance with International Financial Reporting Standards (IFRS). For more information, see the notes to the financial statements, in particular, Note 2 *Basis of presentation*, Note 3 *Significant accounting policies* and Note 21 *Accounting pronouncements*.
- Amounts shown in this MD&A are expressed in Canadian dollars, unless otherwise specified.
- Due to rounding, some variances may not reconcile and analysis of components may not sum to the analysis for the grouped components.

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About the OSC

A summary of our role, mandate and goals

The Ontario Securities Commission is responsible for regulating the capital markets of Ontario. We are an independent self-funded Crown corporation of the Province of Ontario. Our powers are given to us under the *Securities Act* (Ontario), the *Commodity Futures Act* (Ontario) and certain provisions of the *Business Corporations Act*. We operate independently from the government and are funded by fees charged to market participants. We are accountable to the Ontario Legislature through the Minister of Finance.

We use our rule-making and enforcement powers to help safeguard investors, deter misconduct and regulate market participants in Ontario. We regulate firms and individuals who sell securities and provide advice in Ontario, as well as public companies, investment funds and marketplaces, such as the Toronto Stock Exchange.

The OSC operates under the direction of the Commission. The Commission has two related but independent roles. It serves as the Board of Directors of the OSC and it performs a regulatory function, which includes making rules and policies, and adjudicating administrative proceedings.

We are an active member of the Canadian Securities Administrators (CSA), the forum for the 13 securities regulators of Canada's provinces and territories. The CSA works to foster a nationally coordinated and modernized securities regulatory framework.

The OSC also contributes to the international securities regulatory agenda by actively participating in the International Organization of Securities Commissions (IOSCO) and other international organizations.

Mandate

To provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets.

Vision

To be an effective and responsive securities regulator – fostering a culture of integrity and compliance and instilling investor confidence in the capital markets.

Goals

1. Deliver strong investor protection
2. Deliver responsive regulation
3. Deliver effective compliance, supervision and enforcement
4. Promote financial stability through effective oversight
5. Be an innovative, accountable and efficient organization

For more information about our goals, see our Statement of Priorities at www.osc.gov.on.ca.

Capital Markets Regulatory Authority (CMRA)

The OSC plays an important advisory role to the Ontario Ministry of Finance on the initiative among the Ontario, British Columbia (BC), Saskatchewan, New Brunswick (NB), Prince Edward Island (PEI), Yukon and Federal governments to establish a Cooperative Capital Markets Regulatory Regime (CCMR). In August 2015, the Ministers responsible for capital markets regulation in Ontario, BC, Saskatchewan, NB, PEI and Yukon published for comment a revised consultation draft of the uniform provincial/territorial Capital Markets Act (CMA), draft initial regulations and related materials. The CMA and the regulations would together constitute the single set of provincial/territorial laws under the CCMR. The comment period ran until December 23, 2015. In addition, implementation legislation is also being developed to ensure a smooth transition to the new regime and to integrate the new regime into the general laws of each participating province and territory. The federal government published a revised consultation draft Capital Markets Stability Act on May 5, 2016 for a 60-day comment period.

During 2016, the OSC expended approximately $1.3 million in staff resources, in addition to the $1.8 million expended in 2015, and $500 thousand expended in 2014, for a total of $3.6 million toward the creation of, and transition to, the CCMR. These totals do not include time spent by members of the OSC's Executive who participate on the CCMR Transition Committee.

Operating results

A summary of our financial results and a discussion of our revenue and expenses

As a self-funded Crown corporation, the OSC operates on a cost-recovery basis. When the new fee rules were developed and published, the OSC advised that they would be relatively revenue neutral over the three-year period, with an expected surplus in 2016, a smaller surplus in 2017 and a deficit in 2018. This is because revenues are expected to be relatively flat over the term of the rule, while expenses are expected to increase each year. The chart below provides a comparison of results over the last three years that are further described later in this document. Total revenues were higher than projected and total expenses were lower than projected for each of 2015 and 2016, resulting in a higher than expected surplus. The general surplus is now expected to be $30 million by the end of 2018, assuming that there is no significant growth or deterioration in the markets. The ending surplus will be taken into account when fee rates are reviewed and new fee rules are implemented beginning in the 2019 fiscal year.

In 2016, our general operating surplus increased by $15 million as a result of higher revenue, the recovery of investor education costs and extensive cost reductions relative to our 2016 plan.

The OSC's operations and revenue are directly affected by market conditions and trends. Our fee revenue fluctuates with market activity.

Selected three-year annual information

(Thousands)	2016	2015	2014
Revenue	$116,849	$103,936	$98,677
Expenses	103,958	98,870	97,663
Excess of revenue over expenses (before recoveries)	**12,891**	**5,066**	**1,014**
Recoveries of enforcement costs	900	2,995	508
Recoveries of investor education costs	1,198	—	—
Excess of revenue over expenses	**14,989**	**8,061**	**1,522**
General surplus	$29,247	$14,274	$6,540
Property, plant & equipment (purchases)	$3,058	$1,616	$6,940
Total assets	**$242,884**	**$207,414**	**$182,249**
Non-current liabilities	**$179,020**	**$157,057**	**$137,378**

Revenue increased from 2015 to 2016 primarily due to the impact of the new fee rules that came into effect on April 6, 2015. While participation fee rates remained unchanged, the basis for calculating participation fees changed from using a reference fiscal year to using the market participant's most recent fiscal year. Because issuers' market capitalization and registrants' Ontario revenues, which are used to calculate participation fees, were higher overall, as compared to the reference fiscal year, this resulted in higher particpation fee revenues for the OSC.

The general surplus increased each year as a result of the excess of revenue over expenses for each related fiscal years' operations.

Property, plant & equipment expenditures were significantly higher for 2014 than 2015 and 2016 due to a two-year renovation project of the OSC's leased premises at 20 Queen Street West during 2014. In 2016, these expenditures were higher than in 2015 as a result of investments in information technology, in particular to support the data management project, and to renovate an additional floor of leased space at the OSC offices.

Total assets increased from 2015 to 2016 primarily as a result of the increase in the following:

- Cash, as a result of the Excess of revenue over expenses,
- Net assets held for CSA Systems operations and redevelopment that have been accumulated and are held in trust on behalf of the other CSA regulators, mainly as a result of the excess of system fee revenues over expenses incurred, and
- Funds held pursuant to designated settlements and orders, as a result of the orders assessed and that have either been paid or deemed to be receivable.

Non-current liabilities increased from 2015 to 2016 primarily as a result of an increase in the offsetting liability corresponding to Net assets held for CSA Systems operation and redevelopment and Funds held pursuant to designated settlements and orders, as described above.

About our fees

The OSC is funded by fees from market participants. We charge two types of regulatory fees: participation fees and activity fees. Our fee structure is designed to recover costs and is set out in OSC Rules 13-502 *Fees* and 13-503 *(Commodity Futures Exchange) Fees*. The most recent fee rule amendments became effective April 6, 2015 and are expected to be in place until March 31, 2018.

- **Participation fees** are charged for a participant's use of Ontario's capital markets. They cover the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities of market participants. Fees are calculated using an increasing tiered structure based on average market capitalization for issuers and revenues for registrants. Specified regulated entities are charged participation fees based on their market share or a fixed rate. In fiscal 2016, we changed the basis for calculating participation fees from a reference fiscal year (where participation fees were indexed to a prior fiscal year's results) to market participants' most recent fiscal year. The timing of participation fee revenue affects our cash flow. For more information, see the Liquidity and financial position section.
- **Activity fees** are charged when market participants file documents, such as prospectuses and other disclosure documents, registration applications and applications for discretionary relief, and are set to reflect the costs associated with providing the related services. Activity fees are also charged for requests, such as making changes to a registration or searching for records. Activity fees are flat-rate fees based on the estimated direct cost for the OSC to review documents and respond to requests. Activity fee rates were adjusted when the new fee rules were implemented at the start of fiscal 2016.
- **Late fees** are charged when market participants submit filings after applicable filing deadlines, and/or are late paying the fees related to a filing.

Revenue

The implementation of the new fee rules, which came into effect on April 6, 2015, resulted in total revenues of $116.8 million in 2016, up $12.9 million (12.4%) from 2015. Total revenues for the year exceeded plan by $2.6 million (2.2%), mainly due to higher participation fees from registrants and higher late filing fees, which were offset by lower activity fees. Participation fees account for 90% of the variance, while the offsetting variances in activity fees and late filing fees, together with miscellaneous revenue and investment income, account for the remaining 10%.

(Thousands)	% of 2016 Revenue	2016	2015	Change	% Change
Participation fees	85.5%	$99,714	$88,423	$11,291	12.8%
Activity fees	11.9%	13,841	13,111	730	5.6%
Late fees	2.6%	3,083	2,122	961	45.3%
Total fees	**100.0%**	**$116,638**	**$103,656**	**$12,982**	**12.5%**
Miscellaneous		43	159	(116)	-73.0%
Interest income		168	121	47	38.8%
Total revenues		**$116,849**	**$103,936**	**$12,913**	**12.4%**

The following is a discussion of the significant changes in Revenue components.

Participation fees

Variance from prior year: Total participation fee revenues were $11.3 million (12.8%) higher in 2016 than in 2015, primarily due to a $0.8 million (2%) increase from reporting issuers, a $12.0 million (23.8%) increase from registrants, and a $1.4 million (64%) decrease from marketplaces and other entities. This increase in participation fee revenues from issuers and registrants is attributed to the change in the fee rules as noted above. In particular, there was an increase from registrants whose Ontario revenues have increased significantly since 2012 (the reference fiscal year). The variance for marketplaces and other entities is primarily due to the timing of filings. The new rules maintain participation fee rates at the levels that became effective in April 2014 and keep the participation fee rates flat for the duration of the rules.

Variance from current year plan: Participation fee revenues were $2.3 million (2.4%) higher than the 2016 plan. Issuer participation fees were $2.5 million (6.4%) under plan and registrant participation fees are $5.6 million (10%) higher than plan. The main reason for these variances was the move to the new fee rules that required us to model what the "prior period" information would be, based on the overall change in the market between 2012 and 2015. The prior period information required to calculate revenues was not readily available for all market participants. Given that the OSC now has current information for market participants, future forecasting is expected to improve. Participation fees from marketplaces and other entities were $0.8 million (50.8%) under plan as a result of the timing of fees paid. The number of marketplaces and annual revenues from these market participants are expected to be consistent each year going forward.

2017 plan: The 2017 plan for participation fees totals $100.9 million: $38.3 million from issuers, $61.0 million from registrants and $1.6 million from marketplaces and other entities. This represents a $1.2 million (1%) increase from 2016 actual results and a $3.5 million (4%) increase from the 2016 plan. Although these fees are anticipated to be slightly higher, they are in line with the 2016 actual results as fee rates do not change and we don't expect market changes to have a significant impact.

Activity fees

Variance from prior year: Activity fee revenues were $0.7 million (6%) higher this year than the prior year, primarily due to a $0.6 million (12%) increase from registrants and a $0.2 million (143%) increase from marketplaces and other entities. This more than offset the $74 thousand (1%) decrease in activity fees from reporting issuers. The overall increase was largely due to an increase in a number of activity fee rates that were implemented at the beginning of the fiscal year.

Variance from current year plan: Activity fee revenues were $0.9 million (6%) below plan for the current year. Issuer activity fees were lower than plan by $0.6 million (7%), mainly due to lower prospectus volumes relative to the plan amount, lower exemptive relief applications and exempt distribution filings. The above negative variances were partially offset by higher take-over bid activity than planned. Registrant activity fees were below plan by $0.6 million (9%) as a result of a significantly lower volume of prospectuses under National Instrument 41-101 (scholarship plans), which explains the entire shortfall. This was partially offset by higher new registrant activity. Activity fees attributable to marketplaces and other entities were $0.3 million (100%) higher than plan as no marketplace and other entity activities were expected for the year, given the one-time nature of these filings.

2017 plan: The 2017 plan for activity fees totals $12.7 million: $6.4 million from issuers, $6.2 million from registrants and $100 thousand from marketplaces and other entities. This represents a $1.2 million (8%) decrease from the 2016 actual results and a $2.0 million (14%) decrease from the 2016 plan, as filing volumes are expected to remain low in 2017.

Late fees

Variance from prior year: Late fee revenues were $962 thousand (45%) higher than the prior year as a result of more late exempt distribution filings, issuer interim financial statements, registrant documents and System for Electronic Disclosure by Insiders (SEDI) insider filings submitted later than in the prior year.

Variance from current year plan: Late fee revenues were $1.1 million (54%) higher than plan for the current year. This was also mainly due to more late exempt distribution filings, issuer interim financial statements, registrant documents and SEDI insider filings submitted later than planned.

2017 plan: The 2017 plan for late fees totals $2.8 million, which is slightly lower than the 2016 actual revenue since we expect to get fewer late exempt distribution filings and registrant document filings. The amount projected is slightly higher than the average for the total of the 2015 and 2016 fiscal years.

Expenses

In 2016, our total expenses were $104.0 million, up $5.1 million (5%) from $98.9 million in 2015 (excluding Recoveries of enforcement and investor education costs). The year-over-year increase is attributable mainly to higher salaries and benefits costs as a result of additional positions hired in priority areas, as well as higher professional services costs to support Information Services (IS) strategic initiatives. Total expenses for the year were under plan by $6.0 million (5%) before Recoveries of enforcement costs, as a result of cost cutting and deferred initiatives. Targeted underspending in Salaries and benefits accounted for 19% of the variance against the plan, while 37% related to underspending in Professional services. Other areas of underspending included Travel (included in Other expenses), Administrative expenses and Depreciation.

The following is a discussion of the significant changes in Expense components.

(Thousands)	% of 2016 Expenses	2016	2015	Change	% Change
Salaries and benefits	76.2%	$79,174	$76,231	$2,943	3.9%
Administrative	7.4%	7,737	8,017	(280)	-3.5%
Occupancy	7.7%	8,009	7,741	268	3.5%
Professional services	5.3%	5,479	3,551	1,928	54.3%
Depreciation	2.7%	2,761	2,702	59	2.2%
Other	0.7%	798	628	170	27.1%
	100%	$103,958	$98,870	$5,088	5.1%
Recoveries of enforcement costs		(900)	(2,995)	2,095	-69.9%
Recoveries of investor education costs		(1,198)	—	(1,198)	100.0%
Total expenses (net of recoveries)		**$101,860**	**$95,875**	**$5,985**	**6.2%**

Salaries and benefits

For details on the composition of the Salaries and benefits expenses incurred, see Note 15 of the financial statements.

Variance from prior year: Salaries and benefits were $2.9 million (4%) higher this year than the prior year. This was a result of an increase in the average number of active positions coupled with salary increases implemented at the beginning of the year. For the 2016 fiscal year, the OSC Board approved the addition of 35 new positions for priority areas within the OSC, including data management and research, derivatives oversight and the Investor Office.

Variance from current year plan: Salaries and benefits were $1.1 million (1.4%) lower than plan for the current year. This was a result of targeted cost-cutting measures, including maintaining vacancies for a longer than expected period.

2017 plan: The 2017 plan for Salaries and benefits totals $83.5 million. This represents a $4.3 million (5%) increase from the current year actual results and a $3.2 million (4%) increase from the 2016 plan. The increase reflects an increased investment in the oversight of the derivatives market, the implementation of the Whistleblower program and investment in information services.

Administrative

For details on the composition of Administrative expenses incurred, see Note 16 of the financial statements.

Variance from prior year: Administrative expenses were $280 thousand (3.5%) lower this year than the prior year. This was a result of a lower provision for bad debts that was recorded this year as compared to the prior year.

Variance from current year plan: Administrative expenses were $1.8 million (23%) lower than plan for the current year. This was primarily the result of reduced spending on IS maintenance costs, as costs related to the IS Strategic Plan were deferred due to a change in timing and scope for the data management projects. Reduced spending in other areas included communications, mainly due to a reduced need for electronic resources by the Library.

2017 plan: The 2017 plan for Administrative expenses totals $10.4 million. This represents a $2.7 million (35%) increase from 2016 actual results and a $935 thousand (10%) increase from the 2016 plan. The increase results from additional maintenance costs for items identified in the IS Strategic Plan for our information systems, including costs deferred from 2016.

Occupancy

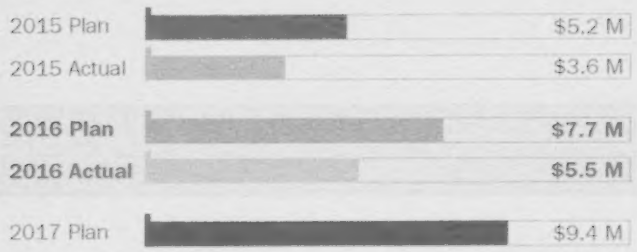
Variance from prior year: Occupancy expenses were $268 thousand (3%) higher this year than the prior year as a result of the general increase in additional rent charges relating to energy, property taxes and common area maintenance.

Variance from current year plan: Occupancy expenses were $207 thousand (3%) lower than plan for the current year plan due to energy cost savings included in our rent overhead charges. That is, we had lower electricity charges for the fiscal year than expected.

2017 plan: The 2017 plan for Occupancy expenses totals $8.3 million. This represents a $294 thousand (4%) increase from the current year actual results and an $87 thousand (3%) increase from the 2016 plan. The increase results from expected additional costs for utilities.

During 2016, the OSC leased and renovated additional space that is being utilized by the CSA IT Systems Office and the Government of Canada on a cost recovery basis through a sublease agreement, including all renovation and lease costs. The amount of lease costs spent and subsequently recovered from these organizations in 2016 is $715 thousand.

Professional services



Variance from prior year: Professional services expenses were $1.9 million (54.3%) higher this year than the prior year. This was mainly due to higher spending on consulting and other support for our IS Strategic Plan. As well, there was additional spending on initiatives for the Investor Office, most of which were costs that were previously borne by the now dissolved Investor Education Fund. Costs for consulting and support for Enforcement matters were also higher as compared to the prior year.

Variance from current year plan: Professional services expenses were $2.2 million (29%) lower than plan for the current year. A portion of this amount is attributed to underspending on IS consulting services related to a number of IS strategic initiatives that were deferred. The Investor Office also underspent on consulting costs due to the time required for the Investor Office's expanded team to ramp up spending on investor initiatives. Spending for support on Enforcement matters was also less than plan as a number of matters were settled earlier than expected or did not require the external support that was originally expected.

2017 plan: The 2017 plan for Professional services expenses totals $9.4 million. This represents a $3.9 million (71%) increase from 2016 actual results and is to support the planned investments in derivatives oversight, investor outreach and IS enhancements.

Depreciation

Variance from prior year: Depreciation expense was $59 thousand (2%) higher than the prior year due to an increase in the capital asset base.

Variance from current year plan: Depreciation expense was $239 thousand (8%) lower than plan for the current year. This was because equipment and information systems purchases which are capitalized, were incurred later than planned in the fiscal year.

2017 plan: The 2017 plan for Depreciation expense totals $2.8 million and is in line with the 2016 results.

Recovery of investor education costs

On June 20, 2012 subparagraph 3.4(2)(b)(ii) was added to the *Securities Act* (Ontario) and took effect. Prior to this date, the Commission was required to pay enforcement monies to the Province's Consolidated Revenue Fund unless these monies were designated under subparagraph 3.4(2)(b)(i) "for allocation to or for the benefit of third parties". Subparagraph 3.4(2)(b)(ii) expands the purposes for which enforcement monies may be designated to include "for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets."

Accordingly, following the dissolution of the Investor Education Fund on March 31, 2015, the OSC began recovering costs that met the criteria as described above from the funds held pursuant to designated settlements and orders. These recoveries are reviewed by the Audit and Finance Committee and are approved quarterly.

During the year, the OSC recorded $1.2 million in recoveries of investor education costs. This amount is lower than the $1.5 million expected to be recovered because the Investor Office did not expand as quickly as expected and therefore did not spend the full amount projected. Of the amount recorded, $584 thousand was received and $630 thousand remains payable to the OSC at year end.

CSA shared costs

As a member of the CSA, the OSC pays a portion of the costs to operate the CSA's office and joint CSA projects. In 2016, total CSA spending on shared projects was $1.9 million ($1.8 million in 2015). The OSC contributed $739 thousand ($685 thousand in 2015). CSA shared costs incurred by the OSC are included in Professional services expenses.

CSA project costs are allocated to each CSA member based on the population of its jurisdiction as a percentage of all participating jurisdictions. All CSA projects, including developing harmonized securities policies and rules, are coordinated through a central secretariat. In 2016, the OSC contributed $396 thousand ($393 thousand in 2015) to support the CSA Secretariat.

Liquidity and financial position

A discussion of our liquidity, cash flows, financing activities and changes in our financial position

Liquidity

Cash

At March 31, 2016, the OSC held $29.2 million in Cash ($17.0 million in 2015) and $20.0 million in Reserve fund assets ($20.0 million in 2015), for a combined total of cash and cash equivalent resources available of $49.2 million ($37.0 million in 2015).

We hold enough Cash, Reserve fund assets and credit access to ensure liquidity for our forecast cash requirements.

At March 31, 2016, the OSC had current assets of $34.6 million ($21.3 million in 2015) and current liabilities of $14.6 million ($16.1 million in 2015) for a current ratio of 2.4:1 (1.3:1 in 2015). The higher current ratio is mainly due to the increase in our Cash balance as described below.

The OSC uses multi-year forward-looking operational forecasts to anticipate potential future cash requirements. In 2016, a lower amount was drawn on the line of credit than forecast and for a slightly shorter period than in 2015. This resulted in a reduction in interest charges paid on the line of credit.

The OSC's Cash position increased $12.2 million (72%) from 2015 as a result of an operational surplus in 2016 adjusted by investments in fixed assets. In 2016, we had an excess of revenue over expenses of $15.0 million ($8.1 million in 2015), and our year-end surplus was $29.2 million ($14.3 million in 2015).

Cash flows

In 2016, Cash flows from operating activities produced an inflow of $15.4 million ($9.2 million in 2015). Property, plant & equipment investments in 2016 consumed $3.1 million ($1.6 million in 2015). Financing activities, which consisted of interest on the line of credit, utilized $55 thousand.

Approximately 74% of our revenues are received in the last quarter of each fiscal year, while expenses are incurred relatively evenly over the fiscal year. This timing difference typically results in negative cash balances from the second quarter to the beginning of the fourth quarter of each fiscal year. The OSC currently uses two key tools to manage temporary negative cash positions: a $20.0 million general operating reserve and a $52.0 million revolving line of credit, both as approved by the Minister of Finance.

In 2016, we used all of our $20.0 million in Reserve fund assets and $14.4 million ($19.5 million in 2015) of our revolving line of credit to fund operations. We repaid the full outstanding balance of the line of credit and restored the $20.0 million in Reserve fund assets in early January 2016 when most registrant participation fees were received.

The agreement for the current line of credit expires on June 30, 2016. During the year, the Commission worked with the Ontario Financing Authority to secure the Minister of Finance's approval to renew the line of credit for an additional two years, up to the same maximum of $52.0 million as the current line of credit.

Financial instruments

The OSC uses Cash and Reserve fund assets to manage its operations. Both are recorded at fair value. See Note 3(a) of the financial statements for the OSC's accounting policies related to financial instruments.

The OSC acts as a custodian of Funds held pursuant to designated settlements and orders, and funds held for CSA Systems redevelopment (included in Net assets held for CSA Systems operations and redevelopment). Both are recorded at fair value.

The OSC is not exposed to significant interest rate, currency or liquidity risks from these investments because they are short-term in nature and all balances are denominated in Canadian dollars. For a complete analysis of the risks relating to these financial instruments, see Note 4 of the financial statements.

Trade and other receivables, Trade and other payables and accrued liabilities are recorded at amortized cost, which approximates fair value given their short-term maturities. For more information on Trade and other receivables, see Note 5 of the financial statements. For more information on Trade and other payables (including accrued liabilities), see Note 10 of the financial statements.

The OSC is not exposed to significant interest rate, currency or liquidity risks.

Financial position

The following is a discussion of the significant changes in our Statement of financial position.

Trade and other receivables

Trade and other receivables were $3.8 million ($3.0 million in 2015). The increase was primarily due to the amount receivable for investor education costs that is eligible for reimbursement, coupled with the amount recoverable from the Government of Canada for office space that is being sub-leased to it, both of which were new this year. There was also an increase in the amount recoverable from the Government of Canada for HST.

For more information on Trade and other receivables, see Note 4 and Note 5 of the financial statements.

Prepayments

Prepayments totaled $1.5 million ($1.4 million in 2015), reflecting a 10.9% increase as a result of an increase in maintenance costs on our application systems and for subscriptions for information services that were prepaid near the end of the fiscal year.

Funds held pursuant to designated settlements and orders

The Commission may impose monetary sanctions for breaches of Ontario securities law. The sanctions reflect what the Commission believes is appropriate for the circumstances, regardless of a respondent's ability to pay. This practice is intended to deter others from contravening the *Securities Act* (Ontario).

The OSC may designate funds under settlement agreements and orders from enforcement proceedings to be allocated as the Board of the OSC may determine. This includes allocating money to harmed investors, where an allocation can be reasonably made, and for investor education. Funds not designated when settlements are approved or when orders are made must be paid to the Consolidated Revenue Fund of the Government of Ontario.

In 2016, $223.3 million in orders was assessed ($53.0 million in 2015). The OSC recorded $13.5 million of that money in Funds held pursuant to designated settlements and orders ($9.5 million in 2015). Of this amount, the OSC collected $11.0 million in 2016 ($7.5 million in 2015) and deemed $2.5 million ($2.1 million in 2015) as being collectible.

Included in the $223.3 million in orders assessed by the OSC are three orders where the respondents were required to make payment directly to harmed investors, totaling $164.3 million. While this amount is considered for our enforcement sanctions statistics, it is not captured in the OSC's accounting records and does not form part of the Funds held for designated settlements and orders balance.

As authorized by its Board, the OSC distributed $627 thousand ($22 thousand in 2015) to harmed investors, $0 ($2.1 million in 2015) to the Investor Education Fund and $584 thousand ($0 in 2015) to the OSC for the recovery of investor education costs. In addition, $102 thousand related to an amount that was previously distributed to a harmed investor was returned to the Funds held for designated settlements and orders account because the payment had become stale dated. A replacement payment was made subsequent to year end.

At March 31, 2016, the accumulated balance of designated funds was $35.6 million ($24.7 million in 2015). Of this amount, $31.2 million was held in cash ($19.9 million in 2015) and $4.4 million was deemed as being receivable ($4.9 million in 2015). After considering funds set aside for possible allocation to harmed investors, $14.6 million of the funds on hand is available for distribution ($5.6 million in 2015).

For more information on Funds held pursuant to designated settlements and orders, see Note 6 of the financial statements.

Collecting monetary sanctions

While the OSC actively works to collect outstanding sanction amounts, material differences between assessments and collections have persisted since we began imposing monetary sanctions. Historically, collection rates from market participants have been much higher than from respondents sanctioned on matters related to fraud – where assets are typically non-existent or inaccessible. Collections of monetary sanctions improved in 2016 primarily because two of the respondents are well-established firms that paid the sanctions assessed to them.

We continue to look for ways to improve our collections rates, including reviewing the experiences of other public and private sector organizations to identify methods that can be used by the OSC. We actively pursue collections using internal and external resources.

A list of respondents who are delinquent in paying monetary sanctions to the Commission is available on the OSC website at www.osc.gov.on.ca.

The table below shows the collection rates on sanction amounts for the last three years.

2014	Assessed	Collected	% Collected
Settlements	$16,010,927	$1,251,003	7.81%
Contested hearings	45,649,682	1,757,004	3.85%
Total	**$61,660,609**	**$3,008,007**	**4.88%**
2015	**Assessed**	**Collected**	**% Collected**
Settlements	$17,890,404	$7,718,255	43.14%
Contested hearings	35,080,537	445,779	1.27%
Total	**$52,970,941**	**$8,164,034**	**15.41%**
2016	**Assessed***	**Collected**	**% Collected**
Settlements	$23,283,821	$9,968,882	42.81%
Contested hearings	35,742,634	990,138	2.77%
Total	**$59,026,455**	**$10,959,020**	**18.57%**

* Does not reflect amounts paid directly by respondents to investors of $164.3 million.

Reserve fund assets

Since 2001, the OSC has held $20.0 million in Reserve fund assets, as approved by the then Minister of Finance, to guard against revenue shortfalls or unexpected expenses, or to cover discrepancies between timing of revenue and expenses. Our primary investment consideration is protection of capital and liquidity. The OSC records income generated by the Reserve fund assets with general operations. The Reserve fund assets are segregated as a Reserve operating surplus to reflect their restricted use.

For more information on Reserve fund assets, see Note 8 of the financial statements.

Property, plant & equipment

Property, plant & equipment increased 2.3% to $12.9 million ($12.6 million in 2015). The increase is the result of fixed asset acquisitions for information technology partially offset by the impact of depreciation of acquisitions.

For more information on Property, plant & equipment, see Note 9 of the financial statements.

Trade and other payables

Trade and other payables decreased 9.1% to $14.6 million ($16.1 million in 2015). This decrease is a result of a decrease in accrued salaries and related benefits accrued at the end of 2016.

For more information on Trade and other payables, see Note 10 of the financial statements.

The OSC's lease commitments are outlined in Note 11 of the financial statements.

Pension liabilities

The accrued supplemental pension plans' defined benefit obligation Pension liabilities of $3.6 million ($3.6 million in 2015) represents future obligations for supplemental pension plans for present and past Chairs and Vice-Chairs. The OSC's related expenses for the year were $233 thousand ($262 thousand in 2015).

For more information on the supplementary pension plan and related defined benefit obligation, see Note 12(b) of the financial statements.

Net assets held for CSA Systems redevelopment

The core CSA National Systems (CSA Systems) are hosted and operated by CGI Information Systems and Management Consultants Inc. (CGI). The CSA Systems include the System for Electronic Document Analysis and Retrieval (SEDAR), SEDI and the National Registration Database (NRD). Market participants are required to use the CSA Systems to file regulatory documents, such as prospectuses and other disclosure documents, report trades by insiders, file registration information and submit fee payments.

The OSC, Alberta Securities Commission, British Columbia Securities Commission and l'Autorité des marchés financiers are principal administrators (PAs) of the CSA Systems. The OSC has been appointed the Designated Principal Administrator – Operations (DPA). As DPA, the OSC oversees the custody and financial management of the system fees collected relating to CSA Systems used by market participants. The CSA IT Systems Project Office, which is housed at the OSC, manages the CSA Systems business relationships with third-party technology providers.

Net assets held for CSA Systems operation and redevelopment includes all surplus funds accumulated from CSA Systems operations that are collected, held and administered by the DPA on behalf of the PAs. The use of these surplus funds is governed by various agreements between the PAs, and the total is reflected in the Statement of financial position as both a Non-current asset and an equal offsetting Non-current liability of $139.9 million ($128.8 million in 2015).

For more information on the judgment exercised with respect to the appropriate accounting treatment of these surplus funds, see Note 2(d) of the financial statements.

The funds included in Net assets held for CSA Systems redevelopment may be used to fund the operations of the CSA Systems, enhance the systems, reduce systems fees, offset shortfalls in system fee revenue related to operation of SEDAR, SEDI and NRD, and fund the operations of the DPA and the CSA IT Systems Project Office.

In May 2016, the PAs signed an agreement with CGI to replace the core CSA National Systems with one system to support existing and future requirements for the benefit of market participants. Services in scope of the agreement include software acquisition, application development, systems integration and application support. Redevelopment will occur in a multi-year phased approach beginning in fiscal 2017. The contract is valued at approximately $81 million and will be funded through the accumulated surplus. The PAs have certain rights to terminate the agreement, with and without cause, as set out in the agreement.

For more information on Net assets held for CSA Systems redevelopment, including current and prior year operating results, see Note 7 and Note 17(a) of the financial statements.

2017 Strategy

Our plans and budget for fiscal year 2017

Statement of Priorities

Every year, the OSC publishes a Statement of Priorities for the current fiscal year. It sets out the specific areas we will focus on to fulfil our mandate. The public has an opportunity to comment on the draft document before the Statement of Priorities is published and delivered to the Minister of Finance.

The Statement of Priorities is our cornerstone accountability document.

On March 10, 2016, the OSC published its 2017 OSC Draft Statement of Priorities – Request for Comments. The draft Statement of Priorities was open for public comment until May 9, 2016 and is available on the OSC website at www.osc.gov.on.ca.

2017 Budget approach

Our regulatory framework needs to remain current and responsive to the continuing evolution of market structures and products and be supportive of capital formation in Ontario. The OSC must carefully balance the desire to improve access to capital with the need to retain appropriate investor protections. The 2017 Statement of Priorities sets out the OSC's key priorities to meet these challenges.

Achieving these priorities is a key driver of the proposed increases to the 2017 OSC Budget over 2016 as this will require focused investments in the following areas:

- improving education, outreach and advocacy through the continued work of the Investor Office and operationalizing the Whistleblower program,
- implementation of a new regulatory framework (including supervision and oversight) for the derivatives market and the exempt market,
- improving the OSC's information technology, in particular to support a greater reliance on data and research, and
- improving information security awareness for the OSC.

As a result, the budget reflects an increase of 4.1% from the 2016 budget and 10.1% from 2016 spending. Salaries and benefits, which comprise $83.5 million or 74.5% of the budget, represent an increase of $4.3 million or 5.5% over 2016 spending. The key reasons for this increase are:

- approval of new positions to support the investments noted above, and
- the impact of the full year costs of the positions hired in the prior year, many of which were hired later in the year.

The OSC will maintain fiscal responsibility in its other operating areas as evidenced by the underspending noted in the prior years and the fact that budget amounts will decrease, or remain flat in approximately 50% of its operating branches. The budget also includes resources for work toward the implementation of the CMRA.

The capital budget, although relatively flat compared to 2016 spending, reflects the cost to support the OSC's information technology needs, in particular a significant data management program initiative. The budget also includes a refresh of the OSC's personal computers and laptops.

2017 plan

(Thousands)	2015–16 Budget	2015–16 Actual	2016–17 Budget	2016–17 Budget to 2015–16 Budget		2016–17 Budget to 2015–16 Actual	
				Change	% Change	Change	% Change
Revenues	$114,282	$116,849	$116,522	$2,240	2.0%	$(327)	-0.3%
Expenses	107,682	101,860	112,141	4,459	4.1%	10,281	10.1%
Excess of revenue over expenses	$6,600	$14,989	$4,381	$(2,219)		$(10,608)	
Property, plant & equipment	$3,101	$3,058	$2,989	$(112)		$(69)	

For more information on 2017 planned budget amounts for significant revenue and expense line items, see the Revenue and Expenses sections of this MD&A.

Critical accounting estimates

Judgments, estimates and assumptions related to preparing IFRS financial statements

Preparing financial statements consistent with IFRS requires that management make judgments, estimates and assumptions that affect reported amounts of assets and liabilities for the date of the financial statements, as well as reported amounts of the revenues and expenses for the periods.

These judgments, estimates and assumptions are considered "critical" if:

- they require assumptions about highly uncertain matters when made, or
- we could reasonably have used different judgments, estimates or assumptions in the period, or
- related changes are likely to occur between periods that would materially affect our financial condition, changes in our financial condition or results of our operations.

Judgment was used to determine the appropriate accounting treatment for the Recoveries of investor education costs and the Net assets held for CSA Systems redevelopment.

Sources of estimation uncertainty primarily consisted of the supplemental pension plan defined benefit obligation Pension liabilities, Funds held pursuant to designated settlements and orders, and Recoveries of enforcement costs.

For more information on judgments and sources of estimation uncertainty that impact the OSC, see Note 2(d) of the financial statements.

Risks and risk management

Risks and uncertainties facing us, and how we manage these risks

Risk can relate to threats to the OSC's strategy or operations, or failure to take advantage of opportunities. The OSC seeks to fully address or mitigate the strategic and business risks that are most likely to impair achievement of our mandate.

Strategic risks

The OSC applies International Risk Management Standard ISO 31000 to its enterprise risk management. We do this through a Risk Management Framework, which we adopted in November 2012. The goal of the framework is to embed risk management at key strategic decision points, and within all elements of our operations and through all levels of staff. The framework sets out a process for identifying and assessing risks, and highlighting and reviewing controls.

Strategic Risk Inventory

Information gathered through the risk management process is captured in the OSC's Strategic Risk Inventory. It includes a "top-down" and "bottom-up" view of the risks and controls within the OSC. The top-down portion describes the environment in which the OSC works, while the bottom-up portion deals with day-to-day operational risks that affect our ability to do our work.

The OSC's Risk Committee reviews the Strategic Risk Inventory each quarter to identify significant changes in the OSC's risk profile, including any new or emerging risks. This information is reported to Senior Management, the Audit and Finance Committee, and the Board of Directors.

Business risks

The OSC has established policies and processes to identify, manage and control operational and business risks that may impact our financial position and our ability to carry out regular operations. Management is responsible for ongoing control and reduction of operational risk by ensuring appropriate procedures, internal controls and processes, other necessary actions and compliance measures are undertaken.

Operational risk can include risk to the OSC's reputation. Reputational risk, as it relates to financial management, is primarily addressed through the OSC's Code of Conduct and governance practices established by its Board of Directors (details available at www.osc.gov.on.ca), as well as other specific risk management programs, policies, procedures and training.

Internal audit

OSC Internal Audit is an assurance and advisory service to the Board of Directors and to management.

Internal Audit helps the OSC develop, evaluate and improve risk management practices, risk-based internal controls, good governance and sound business practices.

The internal audit function is governed by a Charter approved by the OSC's Board of Directors and by an internal annual audit plan that is approved by the Board. The Chief Internal Auditor reports, and provides quarterly updates, to the Audit and Finance Committee. In addition, the Chief Internal Auditor provides an annual report on the results of internal audit engagements to the Board of Directors.

The following are key business risks that the OSC has identified and actively manages.

Systems risk

The OSC's Information Services group regularly monitors and reviews the OSC's systems and infrastructure to maintain optimal operation. The OSC also performs extensive security and vulnerability assessments bi-annually to highlight potential areas of risk. All findings and key recommendations from these assessments are tracked along with a management response and target remediation date. The results of these assessments and the progress made to address these findings and recommendations are reported to the Audit and Finance Committee and are used to improve security of the OSC systems.

The OSC relies on CSA Systems, which are operated by CGI, to collect most of its fee revenue. The CSA requires CGI to provide an annual third-party audit report (CSAE 3416 – Type II) that reviews and evaluates the internal controls design and effectiveness of the CSA Systems and CGI's outsourcing operations. CGI is also required to have an operating disaster recovery site for operating these systems and to test it annually. The most recent test was performed in January 2016.

The OSC could be contingently liable for claims against, or costs related to, CSA Systems operations. See Note 17 of the financial statements for more information. No material change is expected in the volume of fees collected through these systems.

Following a competitive tender for redeveloping these systems, the CSA IT Systems Project Office signed an agreement with CGI to redevelop the systems as described under Net assets for CSA Systems development in this MD&A.

Business continuity

The OSC has a detailed Business Continuity Plan (BCP) to ensure critical regulatory services can continue if an external disruption occurs. The BCP is continually reviewed and refined, and includes strategies to effectively address various market disruption scenarios.

Financial risk

The OSC maintains strong internal controls, including management oversight to provide reasonable assurance of financial reporting reliability and preparation of financial statements for external purposes consistent with IFRS. These controls are tested annually through our internal control over financial reporting (ICFR) program.

The fee rules for fiscal years ending March 31, 2014 and 2015 introduced the concept of a reference fiscal year to calculate participation fees. This was expected to significantly reduce the impact of market fluctuations on participation fee revenue. However, market fluctuations continued to affect our ability to precisely forecast revenue. For fiscal years ending March 31, 2016, 2017 and 2018, we returned to requiring participants to use their most recent fiscal year as the basis for calculating their participation fees. As a result, actual revenues received may be different than plan, but are not expected to impair our operations.

Legal risk

Occasionally, the OSC is involved in legal actions arising from the ordinary course of business. This year, no new legal actions were commenced against the OSC and one existing action against the OSC was dismissed by the court. It is not possible to determine the outcome and ultimate disposition of all other outstanding actions involving the OSC. However, management does not expect the outcome of any such proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Any settlements in these actions would be accounted for when they occur.

Internal control over financial reporting (ICFR)

A summary of our ICFR program results

During the year, the OSC's ICFR processes were reviewed and documentation updated where necessary. Operating effectiveness was tested using the framework and criteria established in "Internal Control – Integrated Framework (2013 version)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Staff performed an evaluation, under the supervision and with the participation of management, of the effectiveness of the OSC's ICFR as at March 31, 2016. Based on this evaluation, the OSC has concluded that the ICFR was operating effectively and that there are no material weaknesses.

There have been no significant changes in controls that occurred during the most recent year ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the OSC's ICFR. The Chair and the Director, Corporate Services certify the design and effectiveness of ICFR in the Statement of Management's Responsibility and Certification.

Financial statements

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

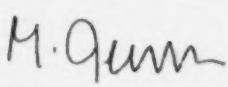
Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

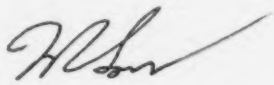
We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year-end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.



Maureen Jensen
Chair and Chief Executive Officer



H.R. Goss
Director, Corporate Services

May 31, 2016

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Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the statement of financial position as at March 31, 2016, and the statements of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2016 and its financial performance, and its cash flows for the year ended in accordance with the International Financial Reporting Standards.

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Toronto, Ontario
May 31, 2016

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position
(in Canadian dollars)

As at March 31	Note(s)	2016	2015
ASSETS			
Current			
Cash		$29,244,715	$16,984,305
Trade and other receivables	4, 5	3,831,842	2,975,339
Prepayments		1,522,706	1,373,481
Total current		**$34,599,263**	**$21,333,125**
Non-current			
Funds held pursuant to designated settlements and orders	3(d), 6	35,555,504	24,702,966
Net assets held for CSA Systems operations and redevelopment	2, 7, 17	139,855,968	128,793,173
Reserve fund assets	8	20,000,000	20,000,000
Property, plant & equipment	9	12,872,939	12,584,733
Total non-current		**$208,284,411**	**$186,080,872**
Total assets		**$242,883,674**	**$207,413,997**
LIABILITIES			
Current			
Trade and other payables	10	$14,617,340	$16,082,770
Total current		**$14,617,340**	**$16,082,770**
Non-current			
Pension liabilities	12(b)	3,608,042	3,560,802
Funds held pursuant to designated settlements and orders	3(d), 6	35,555,504	24,702,966
Net assets held for CSA Systems operations and redevelopment	2, 7, 17	139,855,968	128,793,173
Total non-current		**$179,019,514**	**$157,056,941**
Total liabilities		**$193,636,854**	**$173,139,711**
SURPLUS			
General		$29,246,820	$14,274,286
Reserve	8, 13	20,000,000	20,000,000
Operating surplus		**$49,246,820**	**$34,274,286**
Total liabilities and surplus		**$242,883,674**	**$207,413,997**

The related notes are an integral part of these financial statements.

On behalf of the Board of the Commission

M. Gunn

Maureen Jensen
Chair

Sarah B. Kavanagh

Sarah Kavanagh
Chair, Audit and Finance Committee

Statement of Comprehensive Income

(in Canadian dollars)

For the year ended March 31	Note(s)	2016	2015
REVENUE			
Fees	3(c), 14	$116,638,258	$103,655,869
Miscellaneous		43,216	159,286
Interest income		167,951	120,645
		$116,849,425	**$103,935,800**
EXPENSES			
Salaries and benefits	15	$79,174,128	$76,230,578
Administrative	16	7,737,356	8,016,972
Occupancy		8,009,082	7,741,228
Professional services		5,478,737	3,551,063
Depreciation	9	2,761,282	2,702,076
Other		797,546	628,203
		$103,958,131	$98,870,120
Recoveries of enforcement costs	3(g)	(899,940)	(2,995,062)
Recoveries of investor education costs	3(g), 20	(1,198,271)	—
		$101,859,920	**$95,875,058**
Excess of revenue over expenses		**$14,989,505**	**$8,060,742**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit and loss:			
Remeasurements of defined benefit pension plans	12(b)	$(16,971)	$(326,189)
Other comprehensive loss		**$(16,971)**	**$(326,189)**
Total comprehensive income		**$14,972,534**	**$7,734,553**

The related notes are an integral part of these financial statements.

Statement of Changes in Surplus

(in Canadian dollars)

For the year ended March 31	Note(s)	2016	2015
Operating surplus, beginning of period		$34,274,286	$26,539,733
Total comprehensive income		14,972,534	7,734,553
Operating surplus, end of period		**$49,246,820**	**$34,274,286**
Represented by:			
General		$29,246,820	$14,274,286
Reserve	8, 13	20,000,000	20,000,000
		$49,246,820	**$34,274,286**

The related notes are an integral part of these financial statements.

Statement of Cash Flows

(in Canadian dollars)

For the year ended March 31	Note(s)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		$14,989,505	$8,060,742
Adjusted for:			
Interest received		$160,772	$117,660
Interest income		(167,951)	(120,645)
Interest expense on line of credit		55,188	101,499
Pension liabilities		30,269	115,982
Loss on disposal of Property, plant & equipment	9	8,201	5,159
Depreciation	9	2,761,282	2,702,076
		$17,837,266	**$10,982,473**
CHANGES IN NON-CASH WORKING CAPITAL			
Trade and other receivables		$(849,324)	$530,855
Prepayments		(149,225)	(80,486)
Trade and other payables		(1,465,430)	(2,249,355)
		$(2,463,979)	**$(1,798,986)**
Net cash flows from operating activities		**$15,373,287**	**$9,183,487**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of Property, plant and equipment	9	$(3,057,689)	$(1,616,286)
Net cash used in investing activities		**$(3,057,689)**	**$(1,616,286)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid on line of credit		$(55,188)	$(101,499)
Net cash flows used in financing activities		**$(55,188)**	**$(101,499)**
Net increase/(decrease) in cash position		$12,260,410	$7,465,702
Cash position, beginning of period		**16,984,305**	**9,518,603**
Cash position, end of period		**$29,244,715**	**$16,984,305**

The related notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are as at March 31, 2016 and for the year then ended and includes comparatives. These financial statements were authorized for issue by the Board of Directors on May 31, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, and pension liabilities that are measured net of actuarial gains and losses, as explained in Note 3(e). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency. Amounts have been rounded to the nearest dollar.

(d) Use of judgments and sources of estimation uncertainty

(i) Judgments

The preparation of financial statements in accordance with IFRS requires that management make judgments in applying accounting policies that can affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgments in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements.

Investor Education Fund (IEF)

The IEF was a non-profit organization funded by settlements and fines from enforcement proceedings of the OSC. Prior to the dissolution of the IEF on March 31, 2015, there were a number of areas where judgment was exercised to establish whether the IEF needed to be consolidated with the OSC. Key areas of judgment included control, legal relationships, contractual terms, board and management representation, power to govern, benefits and materiality. OSC management has exercised judgment in these areas to determine that consolidation of the IEF with the OSC results would not be appropriate because investors in the capital markets, rather than the OSC, obtain the benefit or variable returns from the activities of the IEF.

With the dissolution of the IEF, judgment was exercised in the transfer of its remaining assets and liabilities to the OSC as the sole shareholder. For more information on the IEF, including its dissolution, see Note 19.

Recoveries of investor education costs

Following the dissolution of the IEF on March 31, 2015 (see Note 19), the OSC began recovering costs that are in accordance with subparagraph 3.4(2)(b)(ii) of the Securities Act (Ontario) which was amended on June 20, 2012 to expand the purposes for which enforcement monies may be designated to include "for use

by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets" ("investor education costs"). The OSC developed guidelines to assist in determining which costs would be in accordance with subparagraph 3.4(2)(b)(ii). The OSC exercised judgement in evaluating the types of costs incurred which would be in accordance with these guidelines. See Note 20 for a summary of costs recovered.

Net assets held for Canadian Securities Administrators (CSA) Systems operations and redevelopment (CSA Systems net assets)

The OSC has been appointed to administer the financial management processes of the CSA Systems net assets, which mainly consist of surplus funds accumulated from systems fees charged to market participants. Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised judgment to determine that participants in the capital markets, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada (IIROC) in the case of NRD until October 13, 2013) obtain the benefit or rewards from the net assets or any future development of the CSA Systems. The OSC has also determined that in performing its administrative role for the CSA systems net assets, it does not control or have significant influence over how the net assets are managed.

The OSC exercised judgment to determine that the net assets administered by the OSC on behalf of CSA Systems are best represented by the presentation of an asset and a corresponding liability.

See Note 7 for more information, including summary financial information related to the CSA Systems net assets.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next fiscal year. Determining the carrying amounts of some assets and liabilities requires management to estimate the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Supplemental pension plan

Supplemental pension plan liabilities represent the estimated present value of the OSC's obligation for future payments on March 31, 2016. The OSC utilizes an independent actuarial expert to determine the present value of the defined benefit obligation of the Supplemental pension plan and related impact to the Statement of comprehensive income, and Other comprehensive income (OCI).

In some cases, this determination will involve management's best estimates and information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC's financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in Note 12(b).

Designated settlements and orders and Recoveries of enforcement costs

Funds held pursuant to designated settlements and orders, and Recoveries of enforcement costs are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly doubtful, in which case it is recognized when payment is received. Estimation is required to determine the amount of designated settlements to recognize and orders that will be collected, and the estimated Recoveries of enforcement costs.

Management considers the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of these factors could have a material impact on the OSC's financial statements. Assets and liabilities will change related to estimated designated settlements and order amounts deemed to be collectible. Expenses may change related to the Recoveries of enforcement costs. For more information on Designated settlements and orders, see Note 6.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See Note 21 for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss (held-for-trading), loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when all substantial risks and rewards of the financial assets are transferred.

A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Financial assets at fair value through profit or loss (held-for-trading)

Cash, cash held pursuant to designated settlements and orders, funds included in the Net assets held for the CSA Systems operations and redevelopment, and Reserve fund assets are classified as held-for-trading. The recorded balances approximate their fair value.

Loans and receivables

Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all, or a portion, of the amounts due under the terms of the amount receivable.

Other liabilities

Trade and other payables are classified as other liabilities and measured at amortized cost. The recorded balances approximate their fair value.

(b) Property, plant & equipment

Items of Property, plant & equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of the Property, plant & equipment, less any residual value, is depreciated and recognized in profit and loss on a straight line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	3 years
Network servers and cabling	5 years
Office furniture and equipment	5 to 10 years
Leasehold improvements	Over remaining term of the lease plus one option period

The estimated useful lives, residual values and depreciation method are reviewed at the end of each fiscal year. Any changes in estimates are accounted for on a prospective basis.

An item of Property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of Property, plant & equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

Items of Property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Revenue recognition

Participation fees

Participation fees are recognized when received. Prior to receipt of the fee, the probability that the economic benefits associated with the transaction will flow to the OSC is unknown. In addition, reliable measurement of participation fees for new market participants is not possible because the market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, cannot be determined prior to receipt.

These fees represent the payment for the right to participate in the Ontario capital markets, and the OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is receipt of the fee payment. Once the fee is paid, there is no obligation to refund the fees and there are no other unfulfilled conditions on behalf of the OSC. Therefore, participation fees are deemed to be earned upon receipt, except in the case of specified regulated entities that file their participation fees through the OSC's electronic filing portal, which are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when the filing is received.

Late filing fees

Late filing fees relating to insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period. Other late fee amounts are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

(d) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly doubtful, in which case they are recognized when payment is received. Due to the restricted use of Funds held pursuant to designated settlements and orders, a corresponding Non current liability that equals the related Non current asset is reflected in the Statement of financial position.

(e) Employee benefits

Ontario Public Service Pension Plan (OPSPP)

The OSC provides pension benefits to its full-time employees through participation in the OPSPP. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

The plan sponsor is responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the plan. There is no deficit or surplus in the plan that could affect the amount of future contributions for the OSC.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered service entitling them to the contributions. For more information on the OPSPP, see Note 12(a).

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for its current and former Chairs and Vice-Chairs as described in Note 12(b). These plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on the members' length of service and their salary in the final years prior to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which are linked to inflation.

The defined benefit liability recognized in the Statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising from the supplemental pension plans are recognized immediately in the Statement of financial position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income, as described in Note 18(c).

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes a liability and an expense for termination benefits as the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal, or when the OSC has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(f) Leases

All leases currently recorded are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

If lease incentives are received to enter into operating leases, the aggregate benefit of the incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Recoveries

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

Recoveries of investor education costs

Recoveries of investor education costs are recorded as offsets to total expenses on a quarterly basis based on the eligible expenses recorded in the quarter.

(h) Provisions

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial instruments risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain minimal risk. The OSC's financial assets and liabilities by category are summarized in Note 3(a). The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note provides information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency risk

The OSC's exposure to currency risk is minimal due to the low number of transactions denominated in currencies other than Canadian dollars.

Interest rate risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Net assets held for CSA Systems operations and redevelopment (cash components) and Reserve fund assets are held by Schedule 1 banks (and credit unions in British Columbia with respect to Net assets held for CSA Systems operations and redevelopment cash components). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 0.91% (2015 – 1.12%). The Reserve fund earned interest at an average rate of 0.91% (2015 – 1.12%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

Impact on operating surplus

	25 basis points increase in rates	25 basis points decrease in rates
Reserve fund assets	$24,109	$(24,109)
Cash balance	22,271	(22,271)
	$46,380	**$(46,380)**

Credit risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Net assets held for CSA Systems operations and redevelopment, Reserve fund assets and Trade and other receivables.

Schedule 1 financial institutions hold approximately 77% of the OSC's financial assets including those held for CSA Systems operations and redevelopment and another 18% are held in two credit unions in British Columbia (for cash components of Net assets held for CSA Systems operations and redevelopment exclusively). The Credit Union Deposit Insurance Corporation (CUDIC), a statutory corporation, guarantees all deposits of British Columbia credit unions, as set out in the Financial Institutions Act. Given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal. In addition, the investment policy for Cash, Reserve fund assets and for Funds held pursuant to designated settlements and orders limits amounts held on deposit in any one of the Schedule 1 banks to $30.0 million for each category.

Trade receivable balances consist of a large number of debtors owing individually immaterial balances.

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate or individually, and are receivable from:

- Net assets held for CSA Systems operations and redevelopment, to recover staff and space costs and other charges incurred,
- Funds held for designated settlements and orders, to recover investor education costs,
- Government of Canada for recovering Harmonized Sales Tax (HST) paid during the year, and
- Government of Canada to recover costs for OSC space under a sublease.

Therefore, the OSC's exposure to concentration of credit risk is minimal.

The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of Trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors' default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for Trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

The aging of Trade and other receivables is as follows:

	Note	March 31, 2016	March 31, 2015
Current		$2,016,130	$1,965,003
Past due 31 to 60 days		1,099,936	383,682
Past due 61 to 90 days		61,100	266,971
Past due greater than 90 days (net)		654,676	359,683
Total Trade and other receivables	5	**$3,831,842**	**$2,975,339**

Past due greater than 90 days detail		**March 31, 2016**	**March 31, 2015**
Past due greater than 90 days (gross)		$816,511	$667,761
Allowance for doubtful accounts	5	(161,835)	(308,078)
		$654,676	**$359,683**

Reconciliation of allowance for doubtful accounts is as follows:

Past due greater than 90 days detail	**Note**	**March 31, 2016**	**March 31, 2015**
Opening balance		$308,078	$1,140,299
Current year provision		113,210	455,799
Written-off during the year		(259,453)	(1,288,020)
Closing balance	5	**$161,835**	**$308,078**

In 2016, $259,453 of Trade and other receivables that related to balances owing prior to April 1, 2015 were written off, resulting in a reduction to the allowance for doubtful accounts and a corresponding reduction of Trade and other receivables for the same amount. The amount written off was charged to bad debt expense in prior years as part of the current year provision for those prior years. The current year provision of $113,210 was charged to bad debt expense for fiscal 2016.

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient Cash, Reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2016, the OSC had a cash balance of $29.2 million and reserve fund assets of $20.0 million to settle current liabilities of $14.6 million.

The OSC has a $52.0 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC utilized the credit facility to a maximum of $14.4 million. As at March 31, 2016, there is no amount outstanding on the credit facility.

The overall exposure to liquidity risk remains unchanged from 2015.

Supplemental pension plan risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. For more information, see Note 12(b).

5. Trade and other receivables

	Notes	March 31, 2016	March 31, 2015
Trade receivables		$845,910	$1,228,444
Other receivables		1,869,080	1,637,527
Allowance for doubtful accounts	4	(161,835)	(308,078)
		$2,553,155	**$2,557,893**
Interest receivable		33,965	26,785
Amount recoverable from investor education costs	19	629,824	—
HST recoverable		614,898	390,661
Total Trade and other receivables	4	**$3,831,842**	**$2,975,339**

6. Funds held pursuant to designated settlements and orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the Board of the OSC may determine. As a result of an amendment to the *Securities Act* (Ontario) effective June 2012, these funds are eligible to be allocated to the OSC for the purpose of educating investors, or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, including such designated internal costs as approved by the Board. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The Board will allocate these funds as it determines appropriate in its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably effected.

As at March 31, the accumulated balance is determined as follows:

	Notes	March 31, 2016	March 31, 2015
Opening balance		$24,702,966	$18,573,291
Assessed during the year		$223,287,035	$52,970,941
Less:			
Amounts to be paid directly to investors		(164,260,580)	—
Adjustments to present value		—	(114,977)
Orders deemed uncollectible		(45,526,682)	(43,315,108)
Amount recorded from assessments in year		**13,499,773**	**9,540,856**
Amounts collected in relation to external order		105,000	
Amounts collected in advance of an order		—	—
Adjustments to amounts assessed in prior years		(1,839,616)	1,042,072
Total settlements and orders recorded		**11,765,157**	**10,582,928**
Add: Interest		195,548	187,634
Add: Proceeds from education asset sale to OTF	19	2	—
Add: Recovery of stale cheque previously paid to harmed investor		102,350	—
Less: Payments			
Paid to the OSC for recovery of Investor Education costs	20	(583,734)	—
Paid to IEF		—	(2,070,000)
Net IEF Liabilities	19	—	(48,675)
Paid to FAIR Canada		—	(2,500,000)
Paid to harmed investors		(626,785)	(22,212)
Closing balance		**$35,555,504**	**$24,702,966**
Represented by:			
Cash		$31,164,377	$19,863,303
Receivable		4,391,127	4,839,663
		$35,555,504	**$24,702,966**

The $11,765,157 (2015 – $10,582,928) identified as total settlements and orders recorded reflects the portion of $223,287,035 (2015 – $52,970,941) in settlements and orders that was assessed during the year, for which payment was either received or has been deemed collectible. This total includes a reversal of $1,839,616 (2015 – increase of $1,042,072) in adjustments from orders recorded in prior years. Included in the total assessed was $164,260,580 in three settlement orders where the respondents were required to distribute monies to harmed investors, which are not captured in the OSC's accounting records.

The adjustments to amounts assessed in prior years include portions of orders that had been previously deemed as being collectible that are now deemed as being uncollectible in fiscal 2016, less the amounts from prior years that are on payment plans that were recorded in fiscal 2016, and the amounts that had been previously deemed uncollectible where payment was received in fiscal 2016. As at March 31, 2016, $4,391,127 (2015 – $4,839,663) was considered receivable because these amounts are expected to be collected.

The OSC collected a total of $10,959,020 (2015 – $7,498,841) of the designated settlements and orders assessed during the year, resulting in an average collection rate of 18.57% (2015 – 14.16%).

As authorized by the Board, the OSC made payments from the designated funds totalling $1,210,519 (2015 – $4,592,212). Details on the recipients of these payments are included in the table above.

7. Net assets held for CSA Systems operations and redevelopment (CSA Systems net assets)

The core Canadian Securities Administrators National Systems (CSA Systems) consist of the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI).

The OSC, British Columbia Securities Commission (BCSC), Alberta Securities Commission (ASC) and l'Autorité des marchés financiers (AMF) are principal administrators (PAs) of the CSA Systems.

The OSC has been appointed the Designated Principal Administrator – Operations (DPA) to collect, hold, and administer the surplus funds accumulated from system fees charged to market participants that use the CSA systems. This role is essentially that of a custodian. The Net assets held for CSA Systems operations and redevelopment include surplus funds accumulated from operation of the CSA Systems, which are received, held and managed by the DPA on behalf of the PAs, and IIROC (in the case of NRD system fee surplus funds accumulated to October 13, 2013). The use of these surplus funds is restricted by various agreements between the PAs.

CGI Information Systems and Management Consultants Inc. (CGI), as service provider, hosts and maintains the CSA Systems. CGI forwards the gross system fees collected from users of the CSA Systems to the DPA as they are received and invoices the DPA for services provided by CGI in relation to the CSA Systems.

The DPA administers payments to CGI for services provided as they become due from the surplus funds. A CSA Systems Governance Committee (SGC), consisting of members of the four PAs, was established through an agreement signed on April 2, 2013. This agreement also created a governance framework for management and oversight of the CSA Systems, including that of CGI. It outlines how user fees will be collected and deployed, and addresses allocation and payment of liabilities that may arise.

Use of the surplus funds within the terms of the various agreements requires the approval of members of the SGC. Majority approval is required for all permissible uses of the surplus funds as outlined within the various agreements, with the exception of the following, which all require unanimous approval of the PAs:

- any financial commitments in excess of the lesser of (i) $5.0 million and (ii) 15% of the accumulated surplus at such date,
- significant changes to the design of the systems, and
- any changes to system fees.

In the case of NRD, IIROC approval is required for any use of the surplus funds that deviates from the contractually agreed uses for funds accumulated prior to October 12, 2013.

The CSA plans to redevelop the CSA Systems in a multi-year phased approach. Funding for the redevelopment will come from the accumulated surplus funds.

The results of the Net assets held for CSA Systems operations and redevelopment are presented below.

Financial position	As at March 31, 2016	As at March 31, 2015
ASSETS		
Current		
Cash	$96,490,056	$35,390,508
Investments	40,000,000	90,000,000
Trade and other receivables	2,550,211	3,003,521
Prepayments	696,490	672,909
Total current	**$139,736,757**	**$129,066,938**
Intangible asset	1,862,781	1,400,176
Total assets	**$141,599,538**	**$130,467,114**
LIABILITIES		
Current		
Trade and other payables	$1,616,813	$1,613,001
Deferred revenues	126,757	60,940
Total current	**$1,743,570**	**$1,673,941**
Total liabilities	**$1,743,570**	**$1,673,941**
SURPLUS		
Opening surplus	$128,793,173	$115,685,590
Excess of revenue over expenses	11,062,795	13,107,583
Closing surplus	**$139,855,968**	**$128,793,173**
Total liabilities and surplus	**$141,599,538**	**$130,467,114**

Results of operations	Year ended March 31, 2016	Year ended March 31, 2015
REVENUE		
NRD system fees	$14,122,155	$13,935,844
SEDAR system fees	10,799,086	11,039,597
Data distribution services fees	615,230	489,875
Interest income	1,693,848	1,552,815
Total revenues	**$27,230,319**	**$27,018,131**
EXPENSES		
Salaries and benefits	$2,893,628	$2,542,607
Professional services	12,240,191	10,718,950
Amortization	411,712	269,980
Other	621,993	379,011
Total expenses	**$16,167,524**	**$13,910,548**
Excess of revenues over expenses	**$11,062,795**	**$13,107,583**

Cash flows	Year ended March 31, 2016	Year ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues over expenditures	$11,062,795	$13,107,583
Adjusted for:		
Interest income received	1,901,855	1,116,584
Interest income	(1,693,848)	(1,552,815)
Impairment loss	210,000	—
Amortization	411,712	269,980
	$11,892,514	**$12,941,332**
Changes in non-cash working capital:		
Trade and other receivables	245,303	416,476
Prepayments	(23,581)	577,359
Trade and other payables	3,812	250,371
Deferred revenues	65,817	60,940
	$291,351	**$1,305,146**
Net cash flows from operating activities	**$12,183,865**	**$14,246,478**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of intangible asset	$(1,084,317)	$(961,823)
Purchase of investments	(40,000,000)	(90,000,000)
Maturity of investments	90,000,000	—
Net cash flows used in investing activities	**$48,915,683**	**$(90,961,823)**
Net increase/(decrease) in cash position	**$61,099,548**	**$(76,715,345)**
Cash position, beginning of period	35,390,508	112,105,853
Cash position, end of period	**$96,490,056**	**$35,390,508**

For more information on the Net assets held for CSA Systems operations and redevelopment, see Note 2(d) and Note 17.

8. Reserve fund assets

As part of the approval of its self-funded status, the OSC was allowed to establish a $20.0 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The prime investment consideration for the reserve is the protection of the principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The March 31, 2016 accumulated reserve fund assets are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, plant & equipment

2016	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Networks and servers	Leasehold improvements	Total
GROSS CARRYING AMOUNT							
Balance as at April 1, 2015	$4,720,355	$668,400	$19,931,847	$—	$2,817,284	$9,344,762	$37,482,648
Additions	76,966	16,570	1,775,376	—	180,394	1,008,383	3,057,689
Disposals	(5,448)	—	(64,233)	—	—	—	(69,681)
Balance at March 31, 2016	**$4,791,873**	**$684,970**	**$21,642,990**	**$0**	**$2,997,678**	**$10,353,145**	**$40,470,656**
DEPRECIATION							
Balance as at April 1, 2015	$(4,271,240)	$(479,857)	$(17,591,895)	$—	$(464,848)	$(2,090,075)	$(24,897,915)
Depreciation for the year	(203,912)	(23,982)	(331,675)	—	(1,071,153)	(1,130,560)	(2,761,282)
Disposals	5,161	—	56,319	—	—	—	61,480
Balance at March 31, 2016	**$(4,469,991)**	**$(503,839)**	**$(17,867,251)**	**$0**	**$(1,536,001)**	**$(3,220,635)**	**$(27,597,717)**
Carrying amount at March 31, 2016	**$321,882**	**$181,131**	**$3,775,738**	**$0**	**$1,461,677**	**$7,132,510**	**$12,872,939**
2015							
GROSS CARRYING AMOUNT							
Balance as at April 1, 2014	$4,696,639	$583,871	$18,795,602	$309,964	$2,513,937	$9,348,307	$36,248,320
Additions	88,766	84,529	1,139,644	—	303,347	—	1,616,286
Disposals	(65,050)	—	(3,399)	(309,964)	—	(3,545)	(381,958)
Balance at March 31, 2015	**$4,720,355**	**$668,400**	**$19,931,847**	**$0**	**$2,817,284**	**$9,344,762**	**$37,482,648**
DEPRECIATION							
Balance as at April 1, 2014	$(4,135,852)	$(464,407)	$(16,594,672)	$(309,964)	$—	$(1,067,743)	$(22,572,638)
Depreciation for the year	(188,308)	(15,450)	(918,216)	—	(464,848)	(1,115,254)	(2,702,076)
Disposals	52,920	—	(79,007)	309,964	—	92,922	376,799
Balance at March 31, 2015	**$(4,271,240)**	**$(479,857)**	**$(17,591,895)**	**$0**	**$(464,848)**	**$(2,090,075)**	**$(24,897,915)**
Carrying amount at March 31, 2015	**$449,115**	**$188,543**	**$2,339,952**	**$0**	**$2,352,436**	**$7,254,687**	**$12,584,733**

10. Trade and other payables

	March 31, 2016	March 31, 2015
Trade payables	$1,320,361	$591,452
Payroll accruals	10,985,698	13,395,062
Other accrued expenses	2,311,281	2,096,256
	$14,617,340	**$16,082,770**

11. Lease commitments

Operating leases

The OSC has entered into operating lease agreements for equipment and office space, and is committed to operating lease payments as follows:

	March 31, 2016	March 31, 2015
Less than one year	$8,362,862	$8,216,281
Between one and five years	3,518,456	11,806,868
More than five years	—	—
	$11,881,318	**$20,023,149**

Lease expense recognized during 2016 was $7,491,391 (2015 – $7,346,719). This amount consists of minimum lease payments. A portion of the OSC's office space is subleased to the CSA IT Systems Project Office and the Government of Canada on a full cost recovery basis. During the year, the OSC recorded sublease payments totaling $704,578 from these two organizations.

The lease on OSC premises began August 30, 2012 for a term of five years, expiring on August 31, 2017. The OSC has two consecutive options to extend the term beyond August 31, 2017, each for a period of five years. The OSC expects to exercise the first option. The OSC's operating lease agreements do not contain any contingent rent clauses.

12. Pension plans

(a) Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the OPSPP. The OSC's contribution to the OPSPP for the year ended March 31, 2016 was $4,851,811 (2015 – $4,533,161), which is included under Salaries and benefits in the Statement of comprehensive income. The expected contributions for the plan for fiscal 2017 are $5,299,870.

Information on the level of participation of the OSC in the OPSPP compared with other participating entities is not available.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due.

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee and Human Resources and Compensation Committee assist in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the Pension liabilities are the actuarial present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plans expose the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities.
- Inflation risk – in plans where the target benefit is not indexed, given the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities. Conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases.
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all plans combined is approximately 12 years (2015 – 12 years).

	March 31, 2016	March 31, 2015
Defined benefit obligation, beginning of year	$3,560,802	$3,118,630
Current service cost	115,100	137,153
Interest cost	117,627	124,868
Benefit payments	(202,458)	(146,038)
Plan amendment	—	—
Actuarial loss/(gain) on obligation	16,971	326,189
Defined benefit obligation, end of year	**$3,608,042**	**$3,560,802**

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2016	March 31, 2015
Discount rate(s)	3.70%	3.40%
Inflation	2.25%	2.25%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.75%	2.75%
Increase in CRA limit	$2,890.0	$2,818.9

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Publ), with a size adjustment factor for monthly income of $6,000 and more, and with fully generational projections using the improvement scale CPM-B.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

	March 31, 2016	March 31, 2015
Discount rate increased by 0.5% (obligation will decrease by)	5.3%	5.5%
Discount rate decreased by 0.5% (obligation will increase by)	5.8%	6.1%
Life expectancy increased by 1 year (obligation will increase by)	2.7%	2.7%
Life expectancy decreased by 1 year (obligation will decrease by)	2.8%	2.8%
Inflation rate increased by 0.5% (obligation will decrease by)	2.6%	2.4%
Inflation rate decreased by 0.5% (obligation will increase by)	3.2%	2.9%

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2016 was $232,727 (2015 – $262,021). The OSC expects to incur $237,300 in benefit payments relating to the supplemental pension plan during the next fiscal year.

13. Capital management

The OSC has established a $20.0 million reserve fund, as described in Note 8, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses. The OSC's overall strategy remains unchanged from 2015.

The OSC maintains an investment policy where Reserve fund assets are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule 1 banks to protect the principal.

The OSC has a $52.0 million credit facility with a Schedule 1 financial institution to address any short-term cash deficiencies. The OSC has received approval from the Ministry of Finance for a subsequent two-year term for the credit facility.

The OSC is not subject to any externally imposed capital requirements.

14. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities, and are intended to serve as a proxy for the market participants' use of the Ontario capital markets.

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants.

Late fees represent fees applied to market participants for not filing required documents and/or paying their participation and activity fees on time.

Any general operating surpluses generated are normally returned to market participants through lower fees than otherwise required to recover costs or direct refunds.

The Commission revised its participation fees and activity fees through fee rule amendments that became effective April 6, 2015. While participation fee rates remained the same, some activity fee rates were adjusted at the beginning of fiscal 2016.

Fees received are as follows:

	March 31, 2016	March 31, 2015
Participation fees	$99,714,224	$88,423,432
Activity fees	13,840,855	13,110,801
Late filing fees	3,083,179	2,121,636
	$116,638,258	**$103,655,869**

15. Salaries and benefits

	March 31, 2016	March 31, 2015
Salaries	$65,735,420	$63,853,257
Benefits	7,848,643	7,083,761
Pension expense	5,084,538	4,795,182
Severance/termination payments	505,527	498,378
	$79,174,128	**$76,230,578**

16. Administrative

	March 31, 2016	March 31, 2015
Commission expense	$1,755,599	$1,915,710
Communications & publications	1,511,122	1,477,687
Maintenance & support	2,418,854	2,267,653
Supplies	730,270	743,307
Other expenses	642,480	1,078,123
Training	679,031	534,492
	$7,737,356	**$8,016,972**

17. Contingent liabilities and contractual commitments

(a) The OSC has committed to paying in full any liability with respect to CSA Systems operations and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the agreements described in Note 7, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In 2016, there were no such claims or expenses. As described in Note 7, the OSC, in its capacity as DPA, is holding funds in segregated bank and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

(b) The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions cannot be measured with sufficient reliability at this time. However, management does not expect the outcome of any such proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Any settlements concerning these contingencies will be accounted for in the period in which the settlement occurs.

18. Related party transactions

(a) Net assets held for CSA Systems operations and redevelopment

In the course of normal operations, the OSC entered into transactions with the Net assets held for CSA Systems operations and redevelopment. For more information, see Note 7.

(b) IEF

In the course of normal operations and as part of the March 31, 2015 dissolution, the OSC entered into transactions with the IEF. For more information, see Note 19.

(c) The Province of Ontario

In the course of normal operations, the OSC entered into the following transactions with the Province of Ontario:

(i) The *Securities Act* (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 14 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

(ii) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income.

(d) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs and Executive Director.

The remuneration of key management personnel includes the following expenses:

	March 31, 2016	March 31, 2015
Short-term employee benefits	$3,357,387	$3,749,157
Post-employment benefits	294,136	508,650
Total compensation	**$3,651,523**	**$4,257,807**

19. Investor Education Fund

The IEF was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The IEF was managed by a separate Board of Directors and its purpose was to increase knowledge and awareness among investors and potential investors, and to support the research and development of programs and partnerships that promoted investor and financial education in schools and among adult learners.

The OSC was the sole voting member of the IEF. However, the OSC had determined, based on an evaluation of the terms and conditions of the arrangement, that investors in the capital market, rather than the OSC, obtained the benefit or rewards from the activities of the IEF. As such, the OSC did not control the IEF, and the IEF had not been consolidated in the OSC's financial statements as discussed in Note 2(d). The IEF was exempt from income taxes.

On March 31, 2015 financial assets and liabilities were transferred to the OSC as part of the IEF dissolution at their fair values. These financial assets and liabilities are listed below, with the net liability of $48,675 being settled through the Funds held pursuant to designated settlements and orders.

Transferred to the Funds held pursuant to designated settlements and orders

Asset/Liability	Type	Exchange value
Cash	Financial asset	$60,548
Accounts receivable	Financial asset	114,379
Accrued liabilities	Financial liability	(223,602)
Total		**$(48,675)**

Certain program and website content previously held by IEF was also transferred to the OSC. A portion of the content was spun off to an unrelated third party for a nominal charge of $2. The remaining content will continue to be supported by the OSC and made publicly available through the OSC website. Since this remaining program and website content is not being made available for the purpose of deriving a future economic benefit for the OSC, it has been transferred at an exchange value of nil ($0).

20. Recoveries of investor education costs

During the year, as described in Note 3(g), the OSC recorded recoveries of investor education costs from the Funds held for designated settlements and orders as follows:

	March 31, 2016
Payroll costs	$527,443
OSC in the Community costs	92,735
Media Campaign costs (Fraud Prevention Month)	73,901
Website and other IT costs	115,492
Consulting costs	388,700
Total	**$1,198,271**

The amount recorded in the year is $1,198,271, of which $629,824 is owing to the OSC at March 31, 2016. The amount paid in the year of $583,734 includes $15,287 owing from the prior year.

21. Accounting pronouncements

New and revised in issue, but not yet effective

The following new IFRS standards, interpretations and amendments, which have been issued but are not yet effective for the year ended March 31, 2016, have not been applied in preparing these financial statements. These pronouncements are currently under consideration or have been determined not to have a material impact on the financial statements of the OSC.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9, *Financial Instruments*. The completed version of IFRS 9 includes revised guidance on the classification and measurement of financial assets, carries forward the guidance on recognition and derecognition of financial instruments from IAS 39, *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is not expected to have a material impact on the OSC financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. This standard replaces all existing IFRS revenue requirements and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. This standard is effective for annual periods beginning on or after January 1, 2018. OSC is currently assessing the impact on the OSC financial statements.

IAS 1, *Presentation of financial statements*

In December 2014, the IASB, as part of its Disclosure Initiative, published amendments to IAS 1 *Presentation of financial statements*, which are aimed at improving the effectiveness of disclosure. Specifically, the amendment clarifies that information should not be obscured by providing immaterial information. The amendments introduce new requirements when an entity presents subtotals in primary statements. The amendments also clarify that entities have flexibility on the order in which notes are presented and emphasize that understandability and comparability should be considered when determining the order. The amendments will be effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. OSC is currently assessing the impact on the OSC financial statements.

Appendix

Commissioners' Boardroom
Salle de conférences
des Commissaires

Appendix

Composition of the Board and Executive Management

Our board of directors – the Commission – consists of nine to 16 members, called Commissioners. The Chair and Vice-Chairs are full-time members, and the other members are part-time. Each member is appointed for a fixed term by the Ontario Lieutenant Governor in Council, and appointments are made according to the procedures of the Public Appointments Secretariat of the Government of Ontario. The Commission may recommend candidates for appointment.

You can find more information about our governance practices in our annual Statement of Governance Practices, which is available on the OSC's website.

We are committed to diversity on the Commission. Searches for new Commissioners begin with public postings that include the following wording: "Government appointees reflect the diversity of the people of Ontario and deliver services and decisions in a non-partisan, professional, ethical and competent manner with a commitment to the principles and values of public service."

As a regulatory body that sets standards for the governance of public companies, the Commission has adopted best practices in its own governance. This includes the policies outlined in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to women on boards and in executive officer positions, which were implemented in December 2014 by the OSC and other CSA members.

Representation of women on the board and in executive officer positions

The Commission actively seeks out women in the recruitment and nomination process. Our objective is to have approximately equal representation of male and female members on the board.

Although we have not formally adopted targets for executive officer positions, our staffing practices have resulted in the significant representation of women at all levels of the organization. The OSC will continue to seek gender balance in the recruitment and hiring process for executive officer positions.

	2014–15				2015–16			
	Female		Male		Female		Male	
	(#)	(%)	(#)	(%)	(#)	(%)	(#)	(%)
OSC Board of Directors (Commission)	7	50	7	50	8	53	7	47
Executive Committee (Chair, Vice-Chairs, Executive Director)	2	67	1	33	3	75	1	25
Executive Management Team (Executive Officers)	10	50	10	50	9	45	11	55

The Commission

Terms of Members of the Commission

(April 1, 2016)

	Appointed	Current term expires
Mary G. Condon	June 2014	June 2016
Garnet W. Fenn	July 2015	July 2017
William Furlong	January 2015	January 2017
Maureen Jensen (Chair)	February 2016	February 2018
Sarah B. Kavanagh	June 2011	May 2016
Edward P. Kerwin	January 2011	January 2017
Monica Kowal (Vice-Chair)	July 2014	July 2016
Deborah Leckman	February 2013	February 2017
Janet Leiper	January 2015	January 2017
Alan J. Lenczner	February 2013	February 2017
Timothy Moseley	January 2015	January 2017
Christopher Portner (Lead Director)	December 2010	December 2016
Judith N. Robertson	June 2011	May 2016
AnneMarie Ryan	February 2013	February 2017
D. Grant Vingoe (Vice-Chair)	August 2015	August 2017

More information about the Members of the Commission is available at www.osc.gov.on.ca.

Board and Commission Committees

(April 1, 2016)

Audit and Finance Committee

Sarah B. Kavanagh, Chair
Garnet W. Fenn
William Furlong
Deborah Leckman
Alan Lenczner
AnneMarie Ryan

Governance and Nominating Committee

AnneMarie Ryan, Chair
Mary G. Condon
Sarah B. Kavanagh
Janet Leiper
Maureen Jensen, *ex officio* member

Human Resources and Compensation Committee

Judith N. Robertson, Chair
Edward P. Kerwin
Deborah Leckman
Timothy Moseley

Adjudicative Committee*

Alan Lenczner, Chair
Mary G. Condon
Edward P. Kerwin
Monica Kowal
Christopher Portner
Judith N. Robertson
D. Grant Vingoe
Josée Turcotte, *ex officio* member

* The Adjudicative Committee is a standing policy committee of the Commission.

The mandates of the Committees and of the Lead Director are available at www.osc.gov.on.ca.

Meeting attendance by Members of the Commission

(April 1, 2015 to March 31, 2016)

	Type of meeting[1]				
Member	**Commission[2]**	**Board**	**Audit and Finance Committee**	**Governance and Nominating Committee**	**Human Resources and Compensation Committee**
James D. Carnwath[3]	6/7	1/1			
Mary G. Condon	17/18	6/6		3/4	
Garnet W. Fenn[4]	13/13	5/5	4/4		
William Furlong	17/18	6/6	8/8		
Maureen Jensen[4]	2/2	2/2			
Sarah B. Kavanagh	18/18	6/6	8/8	4/4	
Edward P. Kerwin	18/18	6/6			9/9
Monica Kowal	17/18	6/6			
Deborah Leckman	18/18	6/6	8/8		9/9
Janet Leiper	16/18	6/6		4/4	
Alan J. Lenczner	16/18	5/6	5/8		
Timothy Moseley	16/18	6/6			8/9
Christopher Portner	16/18	5/6	6/8[5]	4/4[5]	8/9[5]
Judith N. Robertson	12/18	6/6			9/9
AnneMarie Ryan	16/18	6/6	7/8	4/4	
D. Grant Vingoe[4]	11/11	5/5			
Howard I. Wetston[3]	8/10	2/2			
Average by type of meeting	**92%**	**96%**	**92%**	**94%**	**97%**

[1] Includes regular and special meetings.
[2] Policy and rule-making matters.
[3] Member's term of appointment expired during the year.
[4] Member appointed to the Commission during the year.
[5] The Lead Director may attend the meetings of the Board committees as a non-voting member.

Adjudicative activity of the Members

In addition to attending policy, board and committee meetings, the Members sat on adjudicative panels on 353 appearances and 269.5 hearing days, in aggregate, during the fiscal year. For a detailed breakdown of appearances and sitting days, see the table *Adjudicative activities of the Commission* in this appendix.

Inquiries & Contact Centre activity

Assistance for investors in 2015–16

Total contacts from investors to the Inquiries & Contact Centre	**3,604**
Most common areas of contact with investors	
Individuals trading without registration and/or prospectus and/or exemption	14%
Information about public companies and investment offerings	11%
Registrant services-related issues	9%
Checking advisor registration, prospectus or exemption	6%
Inadequate or misleading disclosure	6%
Information about hearings, proceedings and orders	5%
Registrant misconduct, registrant-related (OSC) rules	5%
Abusive trading or market manipulation	4%
Educational materials, resources for retail investors	3%
Scams/frauds/misrepresentations	3%
Shareholder rights, director/officer responsibilities, corporate law	2%
How and where to complain	2%
Illegal insider trading	1%
All other	5%

Assistance for market participants in 2015–16

Total contacts from market participants to the Inquiries & Contact Centre	**10,782**
Most common areas of contact with market participants	
Registration requirements and related information	68%
Information about issuers' obligations	11%
System for Electronic Disclosure by Insiders (SEDI) filing, reports, info	10%
Fees	5%
Exemptions, exempt distributions	2%
Hearings, proceedings, enforcement orders	1%
All other	3%

Enforcement activity

Requests from domestic and international regulators and agencies

Fiscal year	2013–14	2014–15	2015–16
Database searches for external agencies	12,428	12,437	10,972
Assistance requests received			
U.S.	44	38	18
International	16	21	14
Domestic	18	20	10
Total	**78**	**79**	**42**
Assistance requests sent			
U.S.	18	19	15
International	17	13	18
Domestic	8	8	7
Total	**43**	**40**	**40**

OSC Enforcement Branch: intake

Fiscal year	2013–14	2014–15	2015–16
Number of cases assessed	289	288	164
Number transferred for investigation	41	37	32

OSC Enforcement Branch: investigations

Fiscal year	2013–14	2014–15	2015–16
Number of completed investigations	42	54	35
Number transferred for litigation	24	28	24

Temporary orders

Fiscal year	2013–14	2014–15	2015–16
Number of temporary orders	3	4	2
Number of respondents	8	13	5
Number of freeze directions obtained	8	26	14
Amount frozen	$1,377,829	$9,046,425	$3,574,478

OSC Enforcement Branch: litigation

Fiscal year	2013–14	2014–15	2015–16
PROCEEDINGS COMMENCED:			
Proceedings before the Commission	**17**	**18**	**12**
Number of respondents	35	55	40
Quasi-criminal proceedings	**4**	**8**	**8**
Number of accused	6	10	12
Criminal Code proceedings	**3**	**2**	**4**
Number of accused	3	3	8
Search warrants executed	**22**	**69**	**52**
ENFORCEMENT TIMELINES:			
Average number of months from intake to commencement of a proceeding	15.9	16.7	13.1

Concluded settlement and contested hearings before the Commission

Fiscal year	2013–14	2014–15	2015–16
Number of proceedings	40	31	26
Number of respondents	111	80	71
SANCTIONS INCLUDE:			
Cease trade orders	103	58	53
Exemptions removed	99	54	54
Director and Officer bans	53	39	36
Registration restrictions	69	40	35
Administrative penalties, disgorgement orders, settlement amounts	$61,675,609	$52,970,941	$59,026,455*
Total costs ordered	**$2,611,402**	**$5,148,291**	**$3,722,066**

Concluded matters before the courts

Fiscal year	2013–14	2014–15	2015–16
Total number of proceedings	3	5	9
Total number of accused	3	6	11
SANCTIONS INCLUDE:			
Jail sentences	39 months	41 months	24.5 months
Conditional sentences/House arrest	–	–	42 months
Fines	–	$10,000	$296,000
Restitution	$155,000	$4,841,806	$335,634

Reciprocal orders

Fiscal year	2013–14	2014–15	2015–16
Number of proceedings commenced	**9**	**12**	**17**
Respondents	14	27	24
Number of orders obtained	**11**	**13**	**17**
Respondents	21	22	32
SANCTIONS INCLUDE:			
Cease trade orders	21	17	31
Exemptions removed	12	10	19
Director and Officer bans	14	14	14
Registration restrictions	12	7	22

* Does not include $164,260,580 that respondents in three settlement agreements undertook to return to investors directly.

Adjudicative activities of the Commission

Type of adjudicative proceeding	2014–15 Number of appearances	2014–15 Sitting days*	2015–16 Number of appearances	2015–16 Sitting days*
Contested hearings on the merits (includes sanctions hearings and hearings in writing)	157	141.5	170	160
Settlement hearings (includes settlement conferences)	46	23	32	16
Hearings on temporary cease trade orders	28	16	25	16.5
Motions and other interlocutory matters	43	27.5	66	40
Applications (includes applications for review, applications relating to take-over bids and applications under section 17 (disclosure), section 144 (revocations or variations of decisions), and section 127(10) (inter-jurisdictional enforcement) of the *Securities Act* (Ontario).	37	27	26	18.5
All other matters (includes pre-hearing conferences, appearances, etc.)	42	22.5	34	18.5
Total	**353**	**257.5**	**353**	**269.5**

* More than one sitting day can occur in one calendar day as a result of multiple proceedings.

OSC Advisory Committees

(March 31, 2016)

Investor Advisory Panel

Ursula Menke, Chair
Connie Craddock
Letty Dewar
Harold Geller
Ken Kivenko
Alison Knight
Louise Tardif

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Matthew Merkley	Blake, Cassels & Graydon LLP
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Tim Babcock	TSX Venture Exchange
Robert Cook	Canadian Securities Exchange
Douglas Cumming	Schulich School of Business
Raj Dewan	WeirFoulds LLP
Elaine Ellingham	Ellingham Consulting Ltd.
Sean McCaughan	Consultant
Blair Milroy	Capital Canada Limited
Geoffrey Ritchie	Private Capital Markets Association of Canada
Jason Saltzman	Dentons Canada LLP
Craig Skauge	National Exempt Market Association
Al Wiens	Wildeboer Dellelce LLP

OSC

ONTARIO
SECURITIES
COMMISSION

As the regulatory body responsible for overseeing the capital markets in Ontario, the Ontario Securities Commission administers and enforces the provincial *Securities Act* and the provincial *Commodity Futures Act*, and administers certain provisions of the provincial *Business Corporations Act*. The OSC is a self-funded Crown corporation accountable to the Ontario Legislature through the Minister of Finance.